Sweden Sverige

BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN TAIWAN 2024

A REPORT FROM TEAM SWEDEN IN TAIWAN

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FOREWORD

The year 2024 marks a pivotal period for Taiwan's economy, and its position in the global markets. Amid geopolitical shifts and changing international trade policies, the Taiwanese economy continues to demonstrate resilience. It is expected to rebound to a ten-year high annual GDP growth this year. Key sectors such as technology, manufacturing, and services maintain a robust performance, forming the backbone of Taiwan's growth strategy. The technology sector remains a shining beacon of progress, with Taiwan solidifying its status as a global leader in semiconductor production. Strategic investments in emerging technologies have bolstered this trend, creating new opportunities for innovation and partnership.

For Swedish companies, these opportunities offer promising avenues for collaboration. Taiwan's strategic focus on high-tech industries, particularly semiconductors, AI, and green technology, aligns well with Swedish expertise. Collaborative opportunities in research, development, and joint ventures, offeri potential for mutual growth. The authorities' active promotion of renewable energy and and green initiatives to reach net carbon neutrality by 2050 presents further openings for Swedish firms with sustainable solutions.

Despite these positive trends, the present survey also serves to show that Swedish businesses still need to navigate a complex market. Intense competition from local firms necessitates a strong differentiation strategy, emphasizing unique value propositions and leveraging Swedish innovation. Additionally, adapting to Taiwan's regulatory framework and understanding the cultural business landscape requires careful planning and collaboration with local partners. Lastly, supply chain disruptions and shifting global trade policies can also pose significant challenges.

Overall, the outlook remains bright for Swedish companies. By recognizing challenges and opportunities alike, Swedish firms can harness the market's potential. Understanding local consumer behaviour and adapting to cultural preferences are crucial for success. This report serves as a guide, highlighting key sectors and emerging trends while providing actionable strategies for Swedish companies. By building on shared values the Swedish-Taiwanese business relationship can not only continue to thrive but help address the pressing issues of our times.

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43 respondents in Taiwan

Current business climate

3,3

of 5

Industry turnover

63%

of Swedish companies expect their industry turnover to increase

Future investments

37%

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

Locally valued success factors

1. Partnerships/Relationships
2. Cost Efficiency
3. Product Development

Brand Sweden

83%

of Swedish companies consider Brand Sweden beneficial for business

Local conditions with high satisfaction

1. Personal safety
2. Suppliers
3. Service providers

Local conditions with least satisfaction

1. Digitalisation
2. Financial system
3. Transparency

Environmental considerations

68%

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

Corruption

- Taiwan is ranked 28th in the global corruption perception index
- No company states they experienced corruption

GDP growth

3,43%

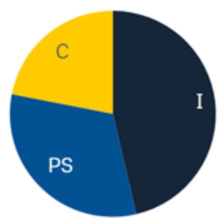
Expected GDP growth in 2024

ABOUT THE SURVEY

TEAM SWEDEN INTRODUCES THE 2024 BUSINESS CLIMATE SURVEY IN TAIWAN

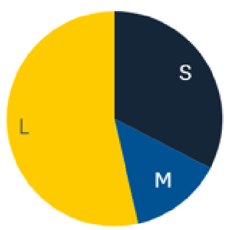
This year's Business Climate Survey, conducted between February and March 2024, represents a collaborative effort between Business Sweden and the Swedish Chamber of Commerce in Taipei. The primary objective is to provide actionable insights into Taiwan's business climate and monitor changes over time. Additionally, the survey aims to highlight opportunities and potential risks for Swedish companies operating in Taiwan, or considering entering the market. As such, it serves as a valuable resource for Swedish businesses navigating the Taiwanese business landscape.

MAIN INDUSTRY



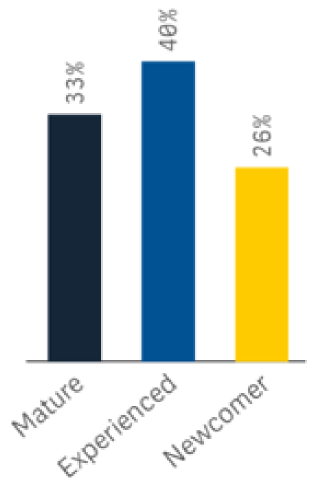
NOTE: Industrial 46%. Professional services 32%. Consumer 22%

SIZE OF COMPANIES



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

AGE OF COMPANIES



Mature (-2002), Experienced (2003-2018), Newcomer (2019-)

Out of the 68 companies approached, 43 responded, resulting in a response rate of 63.2 per cent and a margin of error of nine per cent.

The report begins with a thorough analysis of the financial performance of Swedish companies operating in Taiwan over the previous year, together with a prognosis for their economic future. After that, it explores the more general market dynamics while emphasising significant trends in the data. The impact of the Swedish brand is examined, and the paper delves deeper into the elements that contribute to Swedish businesses' commercial success. Lastly, it discusses the sustainability objective of the respondents and evaluates how the present geopolitical unrest has affected these businesses and their activities in Taiwan.

By covering these aspects, the report aims to offer a holistic understanding of the business landscape and key considerations for Swedish companies in Taiwan.

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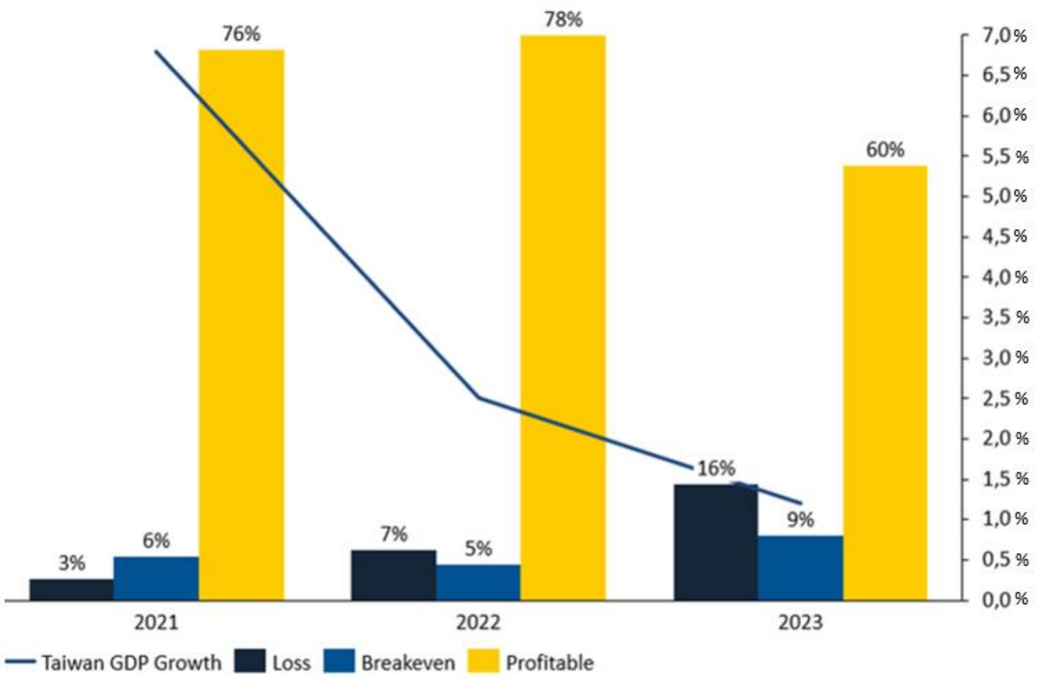
ECONOMIC OUTLOOK

LARGE INDUSTRIAL COMPANIES HAVE SEEN THE HIGHEST PROFITABILITY

Following two years of robust financial performance, Swedish companies in Taiwan are reporting dampened profitability for the past year, which is in line with the overall macro-economic environment. Among the participating companies, 60 per cent still reported their business to be profitable with a notable majority, 68 per cent of those, being large industrial companies. The situation in the loss-making category is different. Here, the distribution is more balanced: consumer companies account for 22 per cent, industrial companies represent 16 per cent, and professional services comprise 15 per cent of the companies experiencing losses.

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN TAIWAN IN 2023?



NOTE: The number of respondents for this question was 43. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2022, 2023 and 2024.

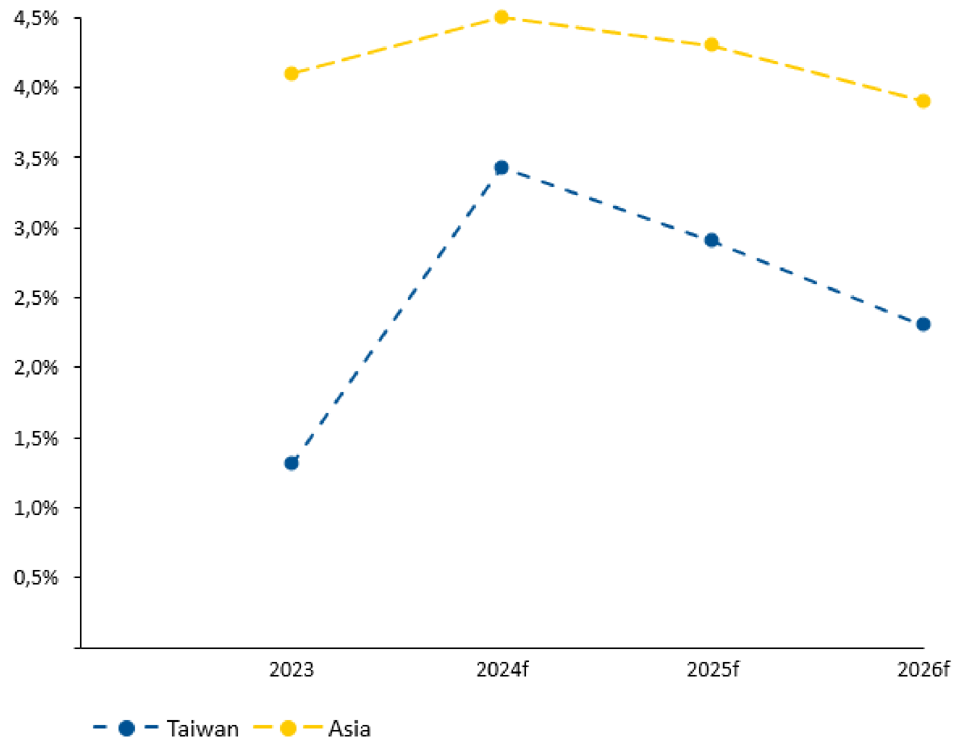
TAIWANS GDP GROWTH SHOWS A STRONG REBOUND

It is expected that Taiwan's real GDP will increase rapidly in 2024, before stabilising somewhat over the ensuing years. In 2023, GDP grew by 1.31 percent, the lowest rate since 2009; however, a growth of 3.43 percent is predicted in 2024. This rise is indicative of an improvement in short-term economic conditions, and even if it is anticipated that the growth rate will marginally slow down to 2.3% by 2026, there is no sign of significant downturn. This points to a stability following multiple years of faster growth.

The anticipated rates of economic expansion are likewise significant when considering the larger Asian region. Asia's GDP is expected to rise by 4.5% in 2024. Likewise, growth in the region is projected to reach

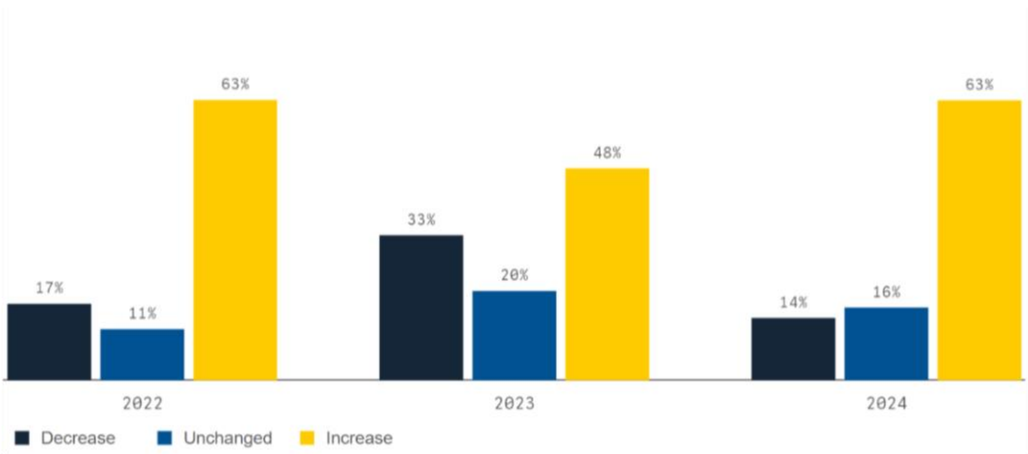
4.3% in 2025. This emphasises Taiwan's strategic role as a hub to access the possibilities of surrounding markets even more.

PROJECTED GDP GROWTH IN TAIWAN



NOTE: Constant prices.
SOURCE: Oxford Economics 2024

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



NOTE: The number of respondents for this question was 43. “Don’t know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2024.

When inquiring about the expected industry turnover for the upcoming 12 months, the trends among companies are promising. The data reveals the most optimistic outlook encountered in the three years of conducting this survey. Just like in 2022, a notable 63 percent of companies anticipate growth in turnover, marking a 15 percent improvement compared to 2023.

The number of companies expecting a decline in turnover has also decreased. In 2024, this figure stands at 14 percent, a positive reduction from the 33 percent reported last year. Across various industries, the expectations remain relatively consistent. A significant 78 percent of consumer companies anticipate an increase in turnover, while 62 percent of professional services and 58 percent of industrial companies share this positive outlook.

Technology-driven industries, such as the technology and electronics sector, show a higher level of optimism. These industries benefit from rapid adaptation capabilities and continuous demand for tech solutions, resulting in higher average future performance ratings above 3.5. Healthcare and pharmaceutical industries also demonstrate positive future performance expectations. The global emphasis on health, particularly due to recent events, has led to increased investments and favorable regulatory environments. This optimism is reflected in the positive relationship between these factors and future performance.

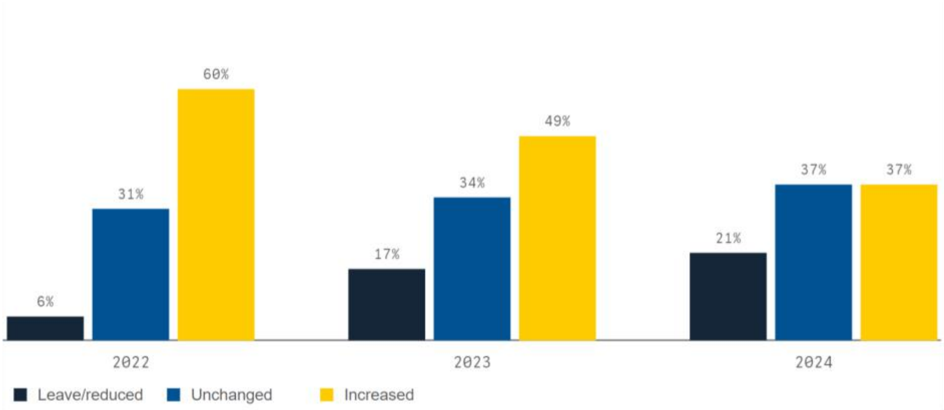
On the other hand, manufacturing and heavy industries are less optimistic. These sectors face ongoing disruptions in global supply chains, significantly impacting their operations. The negative correlation between supply chain issues and future performance highlights the concerns faced by these industries. To navigate the current business landscape effectively, manufacturing sectors should focus on diversifying supply chains and investing in automation. This approach will help mitigate disruptions and adapt to new market conditions.

Implementing these strategies requires careful planning, investment, and collaboration with stakeholders. By adapting to changing market dynamics and embracing digital transformation, businesses can position themselves for long-term success in Taiwan's evolving business landscape.

DIVERGING INVESTMENT TRENDS BETWEEN SMALL AND LARGE COMPANIES

Investment plans by Swedish enterprises in Taiwan hit their peak in 2022 but have been declining since. However, a closer look at the data reveals a more nuanced picture. Smaller businesses are actively preparing to increase their investments, while larger businesses are scaling back. This difference highlights the contrasting strategies employed by companies of varying sizes in response to the opportunities and market conditions in Taiwan.

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



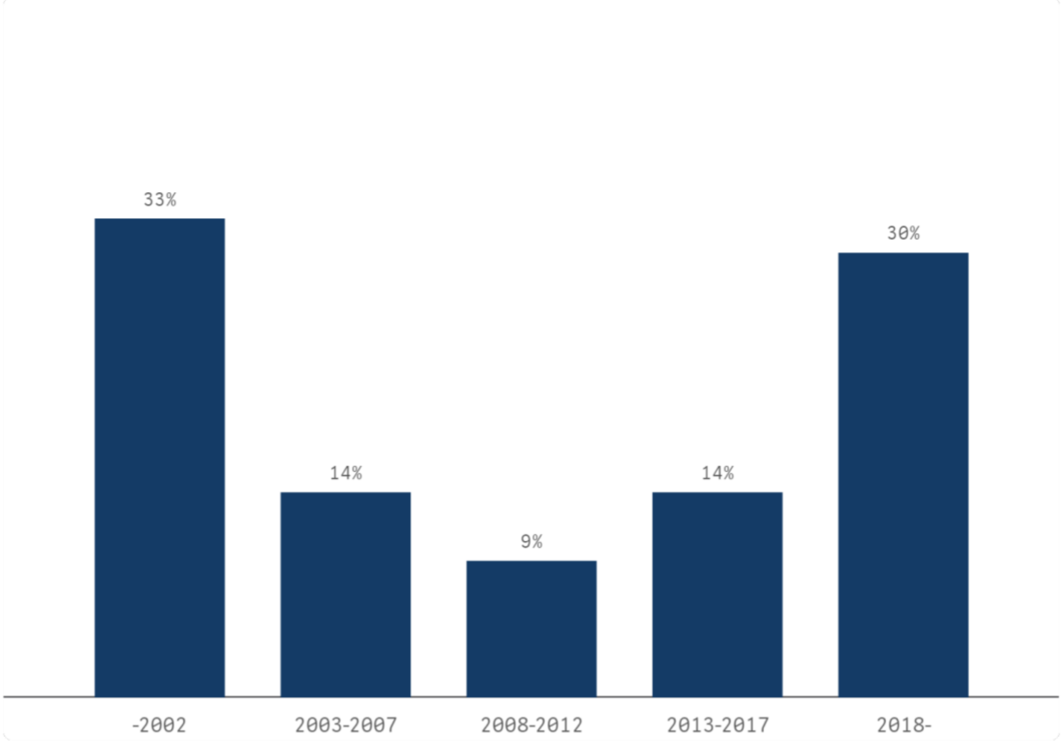
NOTE: The number of respondents for this question was 43. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2024.

THE MARKET

A WIDE RANGE OF COMPANIES PARTICIPATED IN THE SURVEY

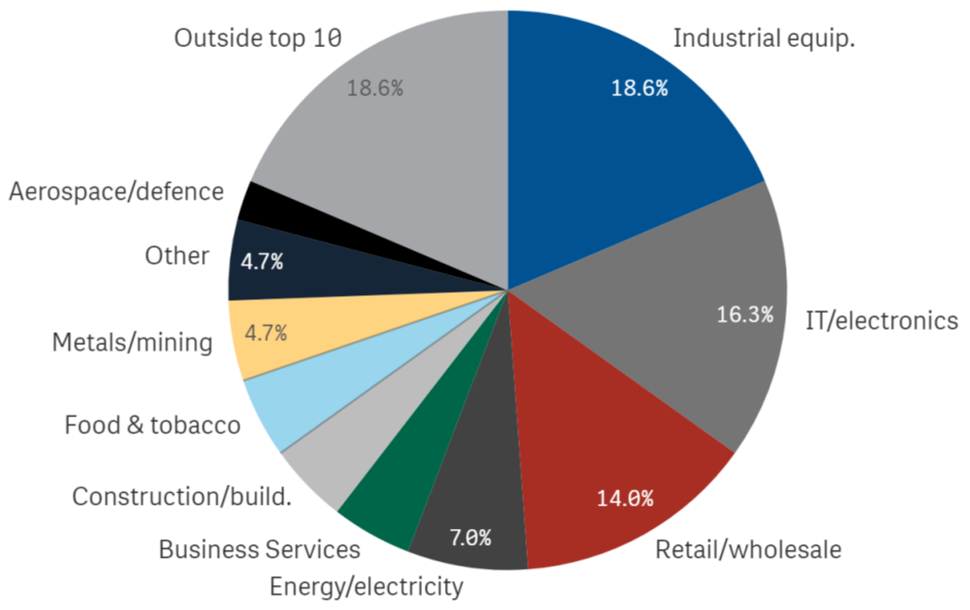
Approximately one-third (33 per cent) of companies began their operations in Taiwan before 2002, while a significant portion (30 per cent) established their presence after 2018. The industrial equipment sector stands out as the primary industry, accounting for 18.6 per cent of the total, closely followed by the IT/electronics sector at 16.3 per cent.

IN WHAT YEAR DID YOUR COMPANY ESTABLISH OPERATIONS IN TAIWAN?



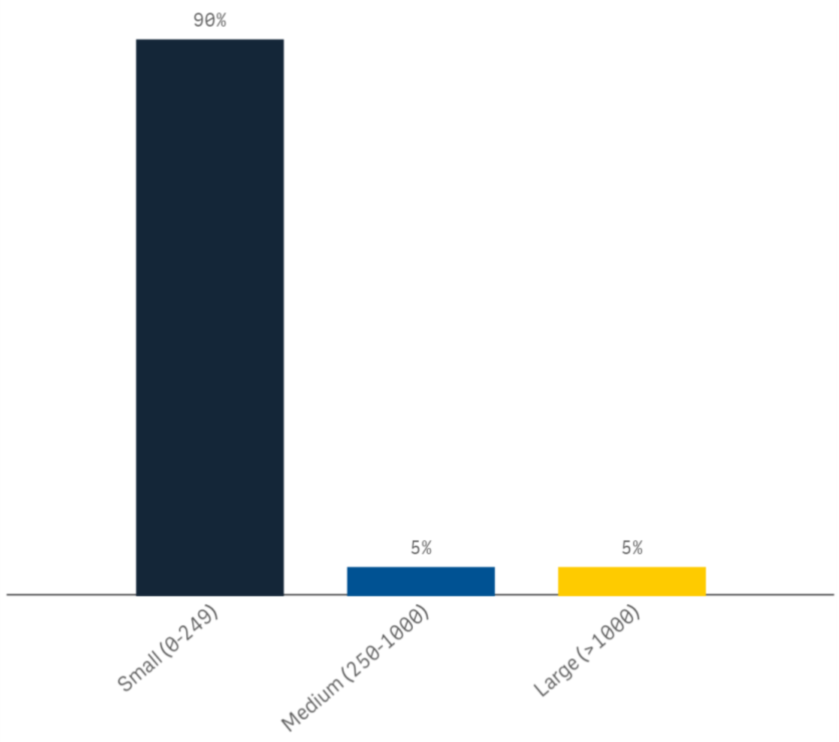
NOTE: The number of respondents for this question was 43. “Don’t know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2024.

WHAT IS YOUR COMPANY'S MAIN INDUSTRY IN TAIWAN?



NOTE: The number of respondents for this question was 43. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2024.

SWEDISH FIRMS' LOCAL NUMBER OF EMPLOYEES IN TAIWAN IN 2024



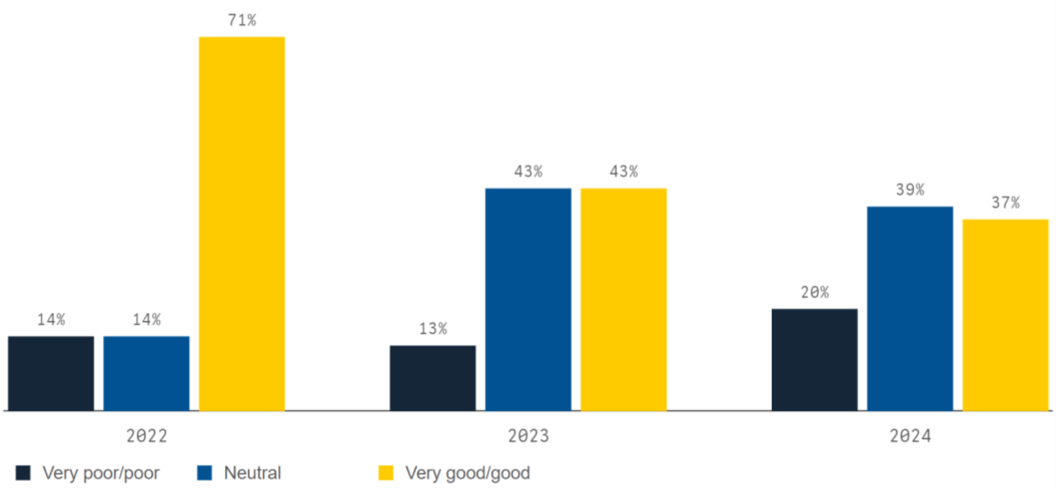
NOTE: The number of respondents for this question was 43. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2024.

A NEGATIVE TREND IN THE PERCEPTION OF THE OVERALL BUSINESS CLIMATE

The business climate in Taiwan follows a negative trend since the first survey in 2022. Some of that sentiment can likely be attributed to the degradation of the macro-economic environment and correlates with the performance decline reported above. If that assumption is correct, a rebound in perception should be expected as the economy recovers. There are, however, other factors influencing the business climate, including the regulatory and geopolitical environment. These will be examined further down.

Notably, experienced companies (5-20 years in the market) predominantly perceive the current business climate as very good or good, while mature companies (20+ years in the market) tend to a higher extent to view it as very poor or poor. When examining the impact across industries and company sizes, the results reveal a more balanced distribution, with no significant differences.

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN TAIWAN?



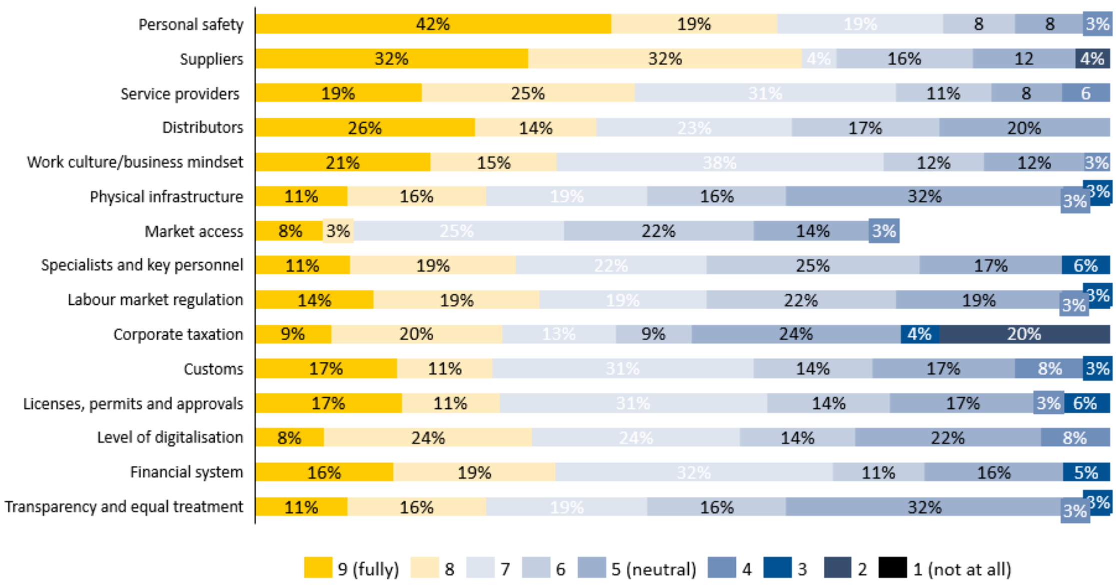
NOTE: The number of respondents for this question was 43. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2022, 2023 and 2024.

PERSONAL SAFETY IS YET AGAIN THE NUMBER ONE CONDITION MEETING COMPANY NEEDS

Personal safety continues to claim the top spot in meeting companies' needs. The suppliers' ranking has made progress, climbing two steps to second place. Transparency and equal treatment, however, scored the lowest, a decline compared to the previous year. On a positive note, licenses, permits, and approvals, which ranked last in 2023, have shown a modest improvement according to this year's survey.

These findings shed light on the key priorities as well as areas for improvement in Taiwan's business environment, emphasizing the significance of personal safety, the growing importance of suppliers, and the urgent need to address transparency and equal treatment concerns.

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

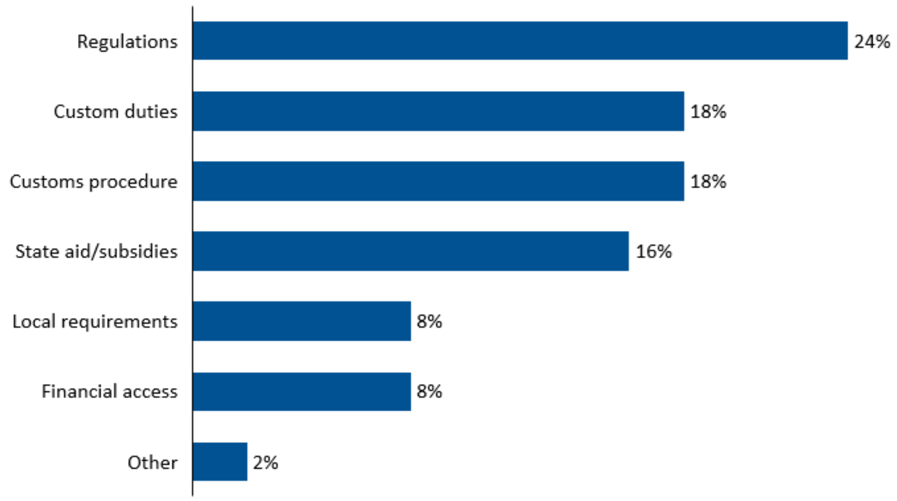


NOTE: The number of respondents for this question was 43. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2024.

REGULATIONS IS THE MAIN TRADE BARRIER WITH NEGATIVE IMPACT

Just like the previous year, regulations continue to be the primary trade barrier for companies. However, in 2024, the percentage of companies citing regulations as a barrier has increased to 32 per cent, compared to 24 per cent in 2023. On the other hand, financial requirements and financial access are identified as the factors with the least impact, an improvement from last year's survey.

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



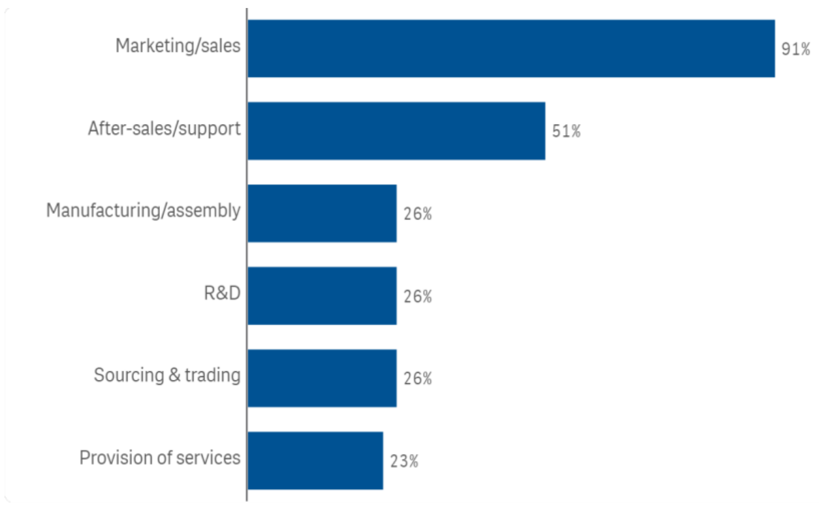
NOTE: The number of respondents for this question was 43. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2024.

HOW SWEDISH COMPANIES SUCCEED IN TAIWAN

ALMOST ALL COMPANIES OPERATE WITHIN MARKETING AND SALES

The vast majority of participating companies, 91 per cent, are engaged in marketing and sales activities in Taiwan. 51 per cent of the respondents provide after-sales support, while a comparatively smaller proportion of 23 per cent selling services.

OPERATIONS OF SWEDISH FIRMS IN THE MARKET



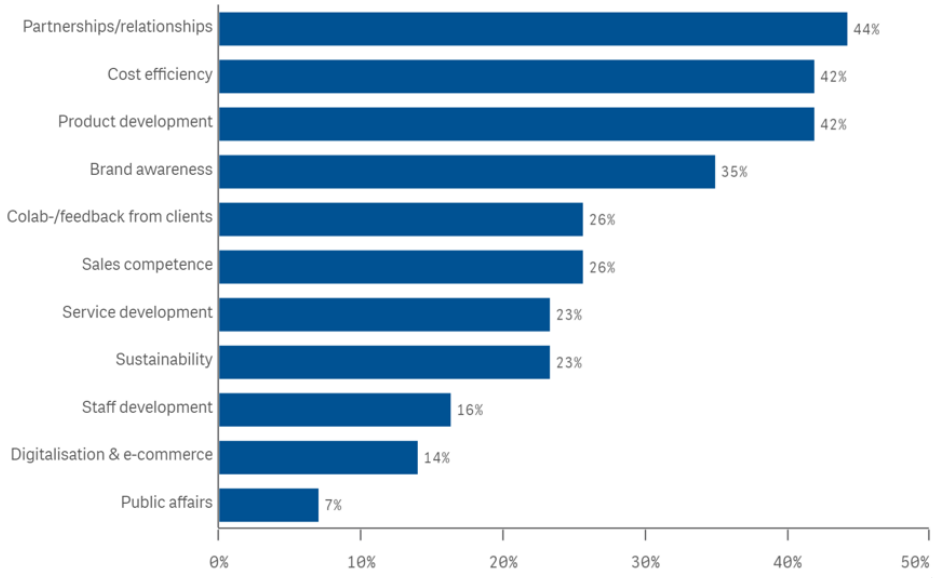
NOTE: The number of respondents for this question was 43. “Don’t know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2024.

PARTNERSHIP AND RELATIONSHIPS ARE KEY TO MAINTAINING COMPETITIVENESS

In 2024, companies operating in Taiwan identified partnerships and relationships as the most crucial factor for maintaining competitiveness. This marks a three percentage points increase compared to the previous year when it held the second position behind cost efficiency. Another notable shift is seen in product development, which has made substantial progress since the 2023 survey where it ranked seventh, now being considered the third most important factor for competitiveness. Conversely, public affairs remain unchanged as the factor respondents deem to be the least significant, holding steady at seven percent.

In last year's survey, sustainability was introduced as a new category, entering the rankings in fifth place. While sustainability has been recognised as a significant opportunity for Swedish companies in previous Business Climate Surveys, its perceived importance in terms of competitiveness has declined compared to 2023. This shift suggests a reevaluation of priorities, perhaps due to the unfavourable macroeconomic environment, with other factors taking precedence in the pursuit of maintaining a competitive edge in the Taiwanese market.

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



NOTE: The number of respondents for this question was 43. “Don’t know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2024.

Accordingly, these results suggest that companies should likely continue to prioritise building strong partnerships and relationships, against a backdrop of strained or shifting supply chains, as this remains a crucial factor for competitiveness. Establishing strategic alliances with local partners, suppliers, and distributors can also enhance market access when regulations are opaque, and treatment is unequal as previously indicated.

Companies also have the option of investing in research and development to continuously improve their offerings. Product development has risen significantly in importance this year, perhaps as a result of the economic recovery’s dependency on AI. Gathering customer feedback and conducting market research can provide valuable insights for product development initiatives.

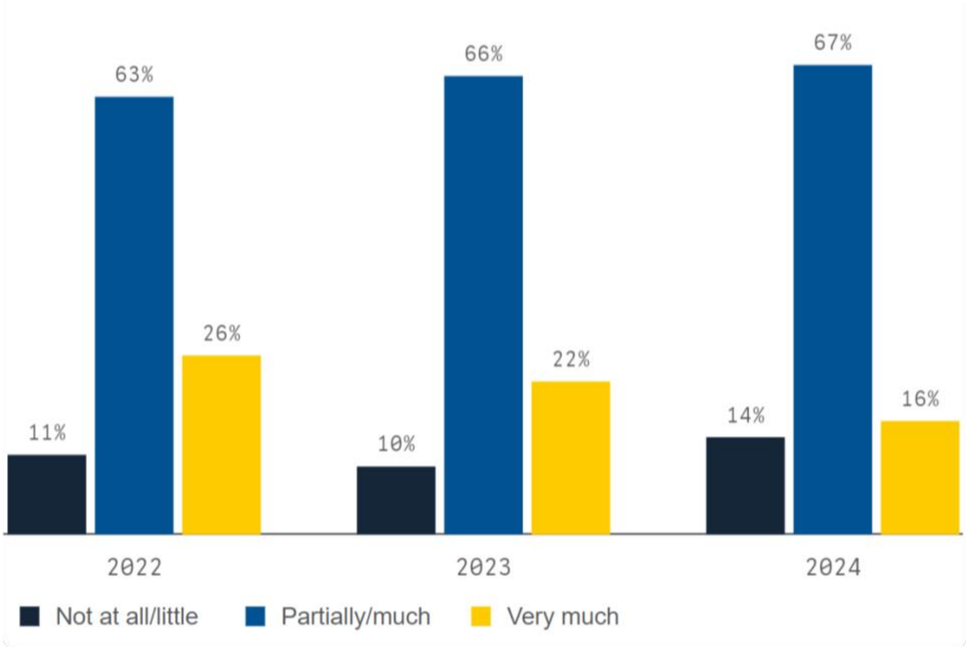
And while sustainability has declined in perceived importance by the respondents, it still holds significant value. It can contribute to other, higher-ranking factors such as brand awareness. Companies can differentiate themselves by integrating sustainable practices into their operations, supply chains, and products, and leverage this in their brand-building.

BRAND SWEDEN CONTINUES TO MAKE A POSITIVE IMPACT

Despite a slight year-on-year setting, the Swedish brand continues to play a significant role in the success of Swedish companies in Taiwan. As such, an impressive 83 per cent of this year’s respondents say it positively contributes to their business. This success goes hand in hand with the enduring strength of Sweden's national brand globally, as evidenced by its consistent positioning within the top ten of the Anholt-Ipsos Nation Brand Index (NBI). In 2022, Sweden held the ninth position, and in 2023, it maintained its strong presence in 10th position.

These rankings underscore the enduring appeal and reputation of Sweden's national brand, further enhancing the competitive advantage of Swedish companies in Taiwan.

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



NOTE: The number of respondents for this question was 43. “Don’t know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2022, 2023 and 2024.

ACTING SUSTAINABLY

A MAJORITY OF CUSTOMERS CARES ABOUT SUSTAINABILITY

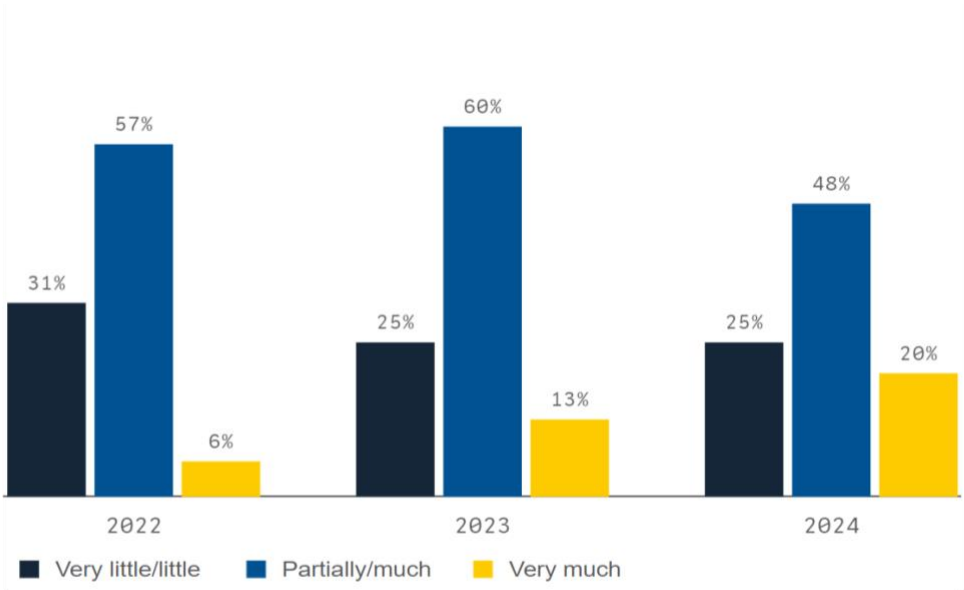
According to the 2024 survey, responding companies seem to indicate that their customers are increasingly concerned with the environmental impact of their purchases.

This is a somewhat contradictory trend when looking at the earlier question regarding what activities are important for maintaining competitiveness: companies rank sustainability lower in terms of its importance for staying competitive in Taiwan, yet they believe that their customers care about sustainability.

These divergent perspectives underscore the complexity of market dynamics and the necessity for companies to carefully balance sustainability initiatives with customer preferences. While some companies may prioritise other factors for competitiveness, it seems vital to acknowledge the growing customer and awareness of, and interest in, environmental aspects.

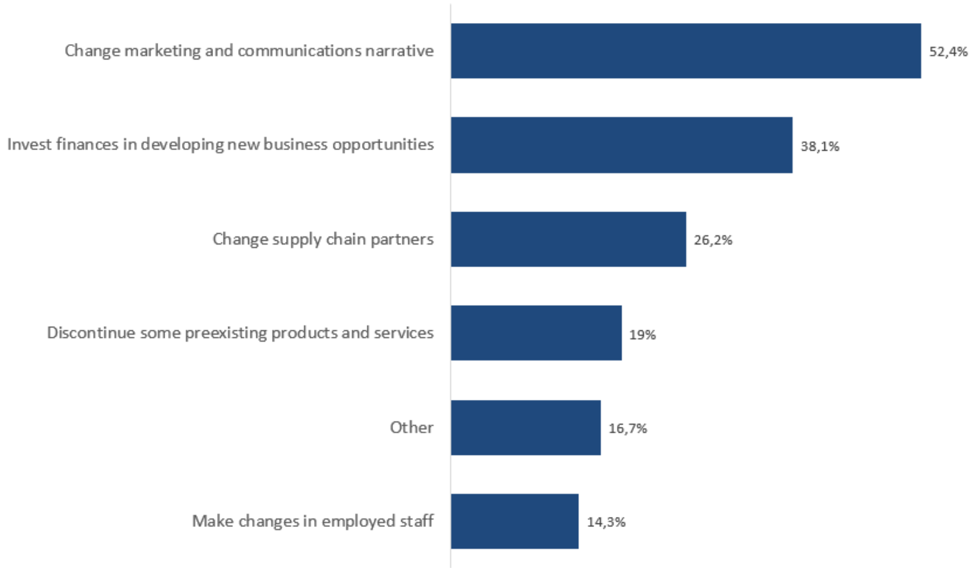
When asked how they are adapting to the Taiwanese market's sustainability demands, companies named several areas of focus. Half of the participating companies are adjusting their marketing narratives, and more than a quarter of respondents mention making changes in their supply chain.

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



NOTE: The number of respondents for this question was 43. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2022, 2023 and 2024.

HOW IS YOUR COMPANY ADAPTING TO TAIWANS SUSTAINABILITY CHALLENGES AND GOALS? (CHECK ALL THAT APPLY)



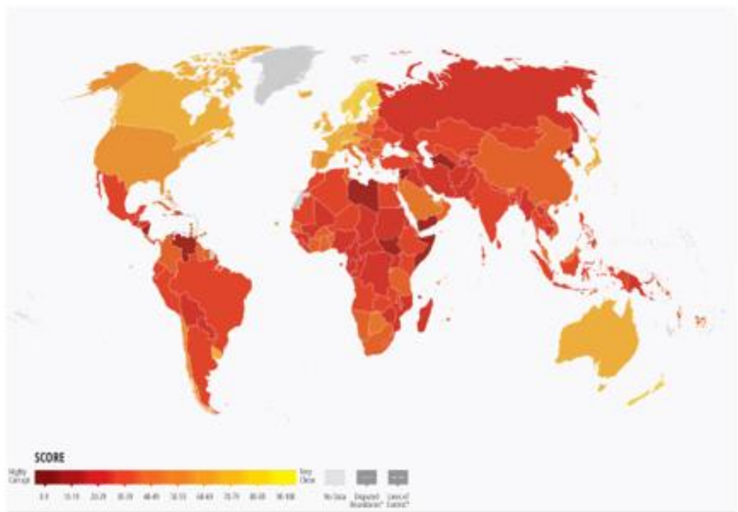
NOTE: The number of respondents for this question was 43. “Don’t know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2024.

NO REPORTED CASES OF CORRUPTION

Taiwan has made significant strides in its fight against corruption. As a result it has now reached a commendable ranking of 28th out of 180 in the global corruption perception index for 2023, with a score of 67 out of 100. This is a consistent performance compared to last year, where Taiwan also held the 28th position with a score of 68.

In line with the findings of the previous survey conducted in 2023, none of the participating companies in the current survey reported any instances of encountering corruption involving either private or internal counterpart.

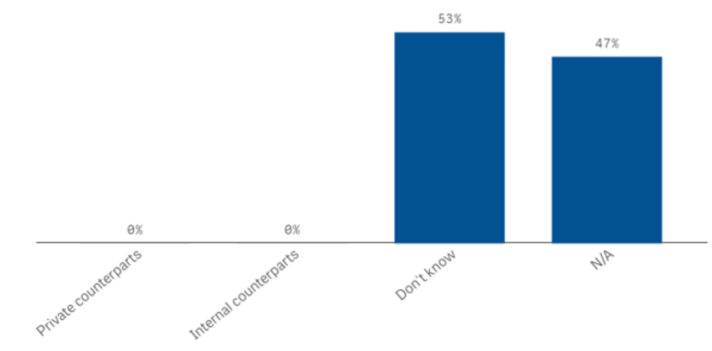
CORRUPTION PERCEPTION INDEX 2023



SOURCE: Transparency International.

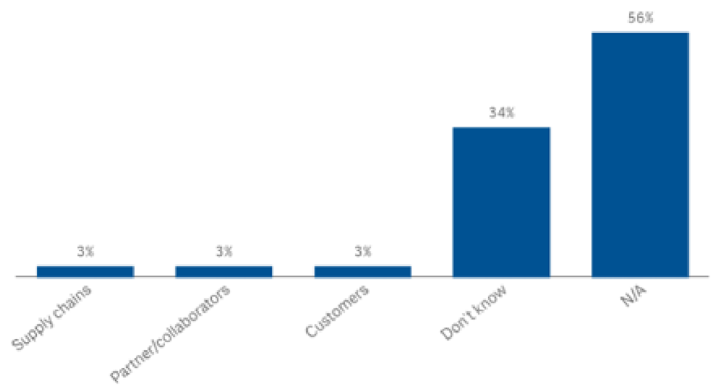
When asked about human rights violations and/or labour rights abuse, a small percentage (three percent amounts to one company) report having encountered them. As multiple answers were possible, the percentages are not additive, and one company may have reported several positive answers.

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



NOTE: The number of respondents for this question was 43.
SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2024.

IN THE PAST YEAR, HAS YOUR COMPANY IN TAIWAN ENCOUNTERED ANY FORM OF HUMAN RIGHTS VIOLATIONS AND/OR LABOUR RIGHTS ABUSE IN/ WITH YOUR…

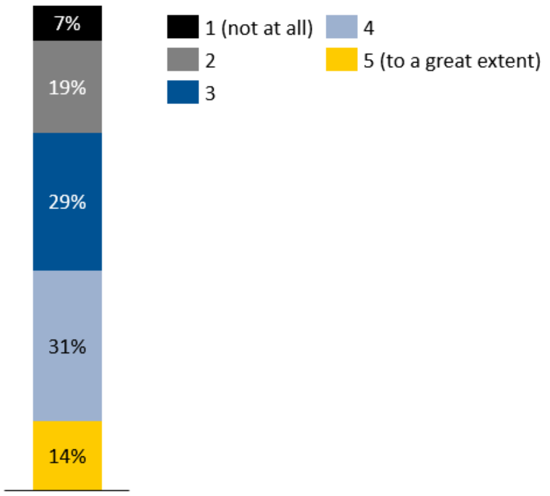


NOTE: The number of respondents for this question was 43.
SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2024.

THE IMPACT OF GEOPOLITICAL TENSIONS VARY HEAVILY ACROSS INDUSTRIES

Geopolitical tensions continue to impact Swedish businesses in Taiwan. Interestingly, seven percent of respondents reported no impact at all, while 29 per cent were neutral, acknowledging the tensions but not finding them significant. For 14 per cent, the impact on their business outlook was deemed serious. Compared to last year's survey, there is a decrease in the proportion of businesses perceiving significant impact from the tensions (24 per cent last year). This shift suggests a growing resilience among businesses in Taiwan.

TO WHAT EXTENT DO GEOPOLITICAL TENSIONS (INCLUDING CROSS-STRAIT RELATIONS) IMPACT YOUR BUSINESS OUTLOOK IN TAIWAN?



NOTE: The number of respondents for this question was 43. Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2024.

Looking at business areas most affected, operational costs, consumer behavior, and market access are the categories most cited by the companies surveyed. The impact of the tensions also varies across different industries. The manufacturing industry, for instance, is facing more notably negative effects primarily due to disruptions in global supply chains. Similarly, the technology and electronics sectors have been heavily impacted due to their reliance on international markets and components.

On the other hand, industries such as local services, including healthcare and retail, tend to report less impact by the ongoing geopolitical tensions. These sectors have more localised operations and are less dependent on global dynamics, even if consumer sentiment can also affect business performance.

By advocating for mitigating regulations and seeking clarity and stability in trade policies, businesses can ensure that new regulations take into account the operational realities and challenges posed by geopolitical changes. This proactive approach can help shape policies that support industry growth and development.

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