



Sweden
Sverige

BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN CANADA 2024

A REPORT FROM TEAM SWEDEN IN CANADA

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FOREWORD

Team Sweden in Canada would like to thank our members and partners for their collaboration on the 2024 Business Climate Survey. This year more companies than ever before answered the survey, and we have had the opportunity to get input from an outstanding group of companies in a most thriving year for Swedish-Canadian relations.

In a glowing review of the current Swedish-Canadian relationship, the 2024 Business Climate Survey, published now for the fifth year, can report with confidence that Swedish companies in Canada expect long-term gains, see a clear benefit of the Swedish brand in Canada and are willing to invest in building this brand.

In 2023, the value of Swedish-Canadian trade reached new, historic heights. In the coming years, we can expect Sweden and Canada, two nations with a longstanding relationship and high trade volumes, to grow even closer together as societies with shared values and strong political institutions, looking to build green and sustainable industries for the future.

In this report we celebrate the efforts of Swedish companies in Canada, investing in partnerships, recalibrating to local conditions, trusting in the value of Swedish-Canadian relations. We look forward to continuing our excellent cooperation with all our members and partners to ensure further successes in the years to come.



Signe Burgstaller
Ambassador of Sweden
to Canada



Christina Keighren
Country Manager,
Business Sweden



Lisa Quondamatteo
Executive Director,
Swedish-Canadian
Chamber of Commerce

43 respondents

Current business climate

67%

of Swedish companies are profitable

Industry turnover

56%

of Swedish companies expect their industry turnover to increase

Future investments

44%

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

Globally valued success factors

1. Personal safety
2. Service providers
3. Transparency / equal treatment

Brand Sweden

81%

of Swedish companies abroad consider Brand Sweden beneficial for business

Local conditions with high satisfaction

1. Personal safety
2. Service providers
3. Transparency

Local conditions with least satisfaction

1. Digitalisation
2. Corporate taxation
3. Licenses, permits and approvals

Environmental considerations

75%

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

Corruption

3%

of respondents report exposure to corruption, bribery, or fraud

Human rights violation and labour rights abuse

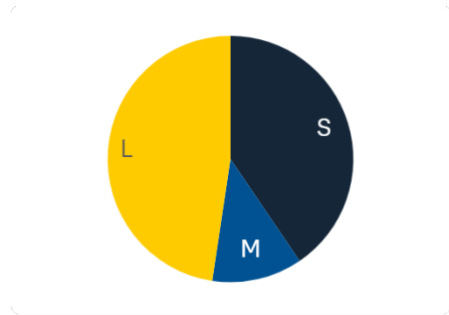
0%

of respondents report human or labour rights abuse violations

ABOUT THE SURVEY

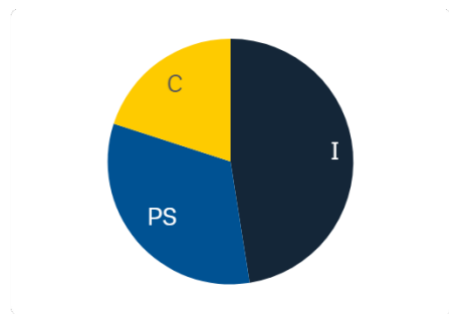
A healthy Swedish-Canadian ecosystem

SIZE OF COMPANIES



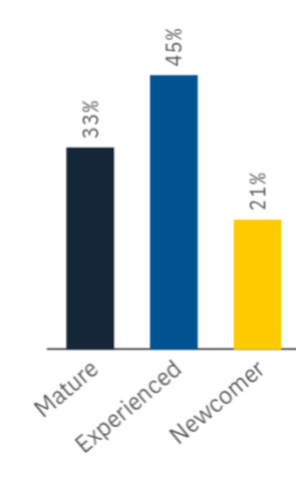
NOTE: Global employees. Large >1000. Medium 250-1000. Small 0-249

MAIN INDUSTRY



NOTE: Industrial 47%. Professional services 33%. Consumer 20%

AGE OF COMPANIES



NOTE: Mature (-2002). Experienced (2003-2018). Newcomer (2019-)

ECONOMIC OUTLOOK

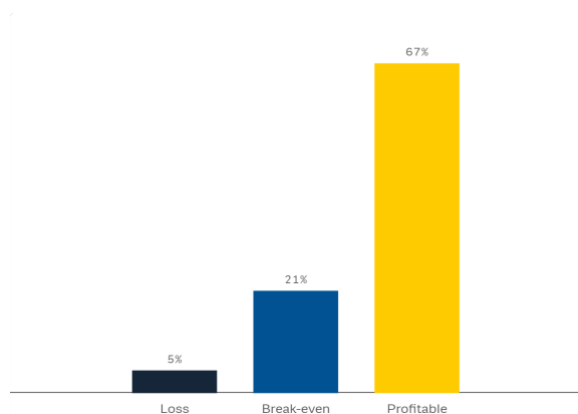
Strong performance in an unpredictable future

Swedish firms are prevalent across the Canadian business environment; they are present in numerous industries, range in size from export-focused SMEs to well-established branch offices and multinational firms. In their ubiquitous nature, Swedish firms can be seen as a microcosm of the Canadian business environment; strong and diverse.

Overall, 2023 was a profitable year for Swedish companies in Canada. Despite economic shocks, described further, 67 per cent of Swedish companies reported a profitable year. A further 21 per cent of Swedish firms broke even – comparing their investments versus revenues in Canada. Only five per cent reported a net loss.

However, 2023 profitability was lower in comparison to 2022 when 75 per cent of companies reported a profitable year. This is in line with the general outlook from Canadian businesses. According to the Canadian Chamber of Commerce's Business Expectations Index, business sentiment in Canada is lower in 2023 than in 2022. This survey showed specific downturn in business confidence in major Canadian cities, (including Toronto, Montreal, and Vancouver) where Swedish firms are most likely to operate, likely impacting the results below.

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN CANADA 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 Canada 2024.

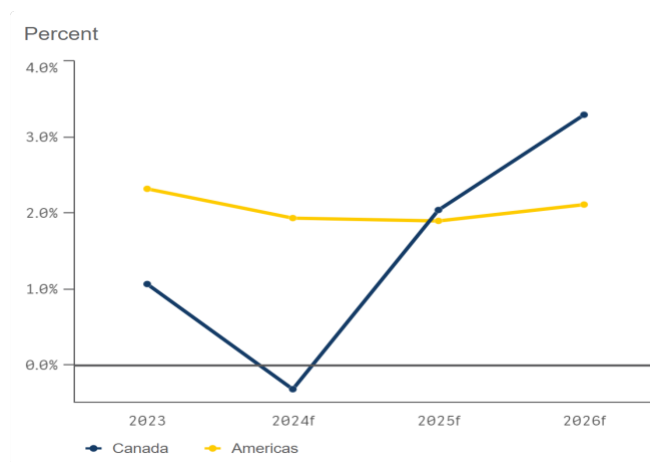
Riding the economic rollercoaster

As many advanced economies, Canada's economic growth has and is expected to experience some turbulence. Previous expectations of severe economic downturn did not materialise in 2023 - but current predictions suggest the slowest post-pandemic growth in GDP is to be expected in 2024. In 2023, high levels of inflation prompted the Canadian central bank to increase interest rates four times to a total of five per cent, a rate unknown since 2007 and representing monumental increases since pandemic rates of 0.25 per cent. While fiscal policy has cooled inflation, Canadians' discretionary spending has also cooled, the aftereffects of which reverberates across industries.

Across the American continent GDP growth is expected to flatline at approximately two per cent until 2026. Canada’s GDP is forecasted to fall below zero per cent in 2024 – before growing beyond continental average in 2026. Curiously, Canada’s GDP growth is expected to follow South America’s projection more closely than North & Central American regions.

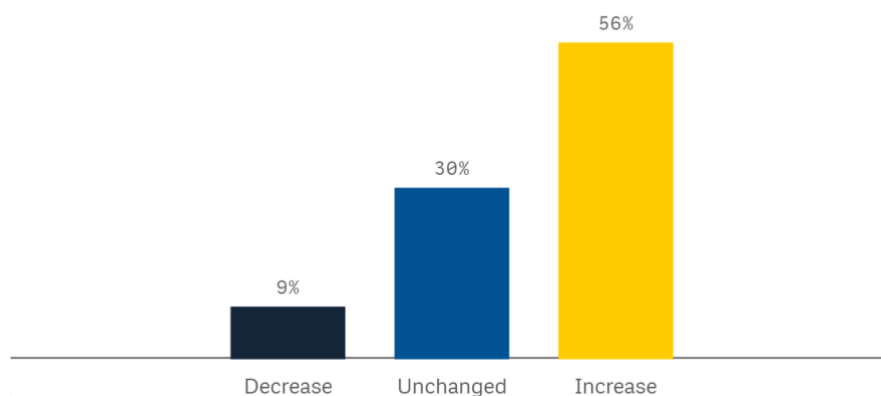
Swedish companies are adjusting revenue expectations for an uncertain economic period ahead, with only 56 per cent of companies expecting an increased revenue in the upcoming 12 months. This differs slightly, but not significantly, to previous years’ expectations, where 63 per cent (2022) and 67 per cent (2023) of companies expected increased revenue. However, only nine per cent of companies surveyed expect a reduction in revenue. Overall, Swedish companies signal current cautiousness, anticipating stronger performance from the Canadian economy in the future. Similar market sentiments could be observed throughout 2021 in a wave of post-pandemic market aftershocks. Following this, Canadians and Swedish companies were significantly more optimistic about future economic prospects.

PROJECTED GDP GROWTH IN CANADA



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 CANADA 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 Canada 2024.

Era of recalibration

Presently, only 44 per cent of Swedish companies expect to increase investment into Canada – a decrease from 2021-2023. An equal amount of companies expect to remain ambivalent in their investment strategy, investing unchanged amounts in 2023 as in 2024.

Approximately 12 per cent of Swedish companies are considering exiting the Canadian market or reducing their local presence.

In summary, 88 per cent of companies are choosing to stay, invest in, and believe in Canada.

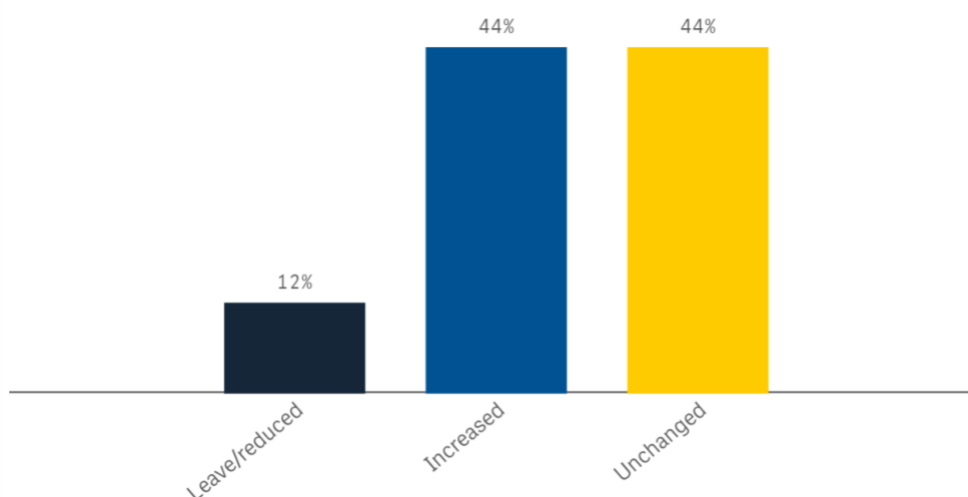
Swedish companies' future investments reflect local economic expectations. Canada's current economic climate can be in part explained by changes to fiscal policy, rising inflation, slow productivity growth and general economic uncertainty. These factors affect both the average Canadian and Swedish business. Companies and people are coming to terms with a new reality: increased cost of living affect consumers, increased interest rates affecting company plans, and increased caution on world markets has changed overall spending patterns. 2024 is expected to be a year of fiscal responsibility in every purchase and investment decision.

However, medium-sized Swedish firms are more likely to be radical in their investment decisions, with little room for ambivalent or 'unchanged' investment. No medium-sized companies expect their investment level to remain unchanged. Two thirds report increased investments, one third reduced or 'leave' intentions.

Large companies are more likely to focus on increasing investment in Canada, with very few expecting to leave or reduce their local ambitions.

Swedish companies are unafraid of reduced short-term expectations of profitability in Canada, and may, in fact, benefit from Canada's need to innovate. Some key local market issues, such as decreased productivity per capita, can be amended by advancing collaboration and technology – perhaps even Swedish technological solutions – in Canada.

WHAT ARE YOUR COMPANY'S INVESTMENT PLANS FOR THE COMING 12 MONTHS IN CANADA, 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 Canada 2024.

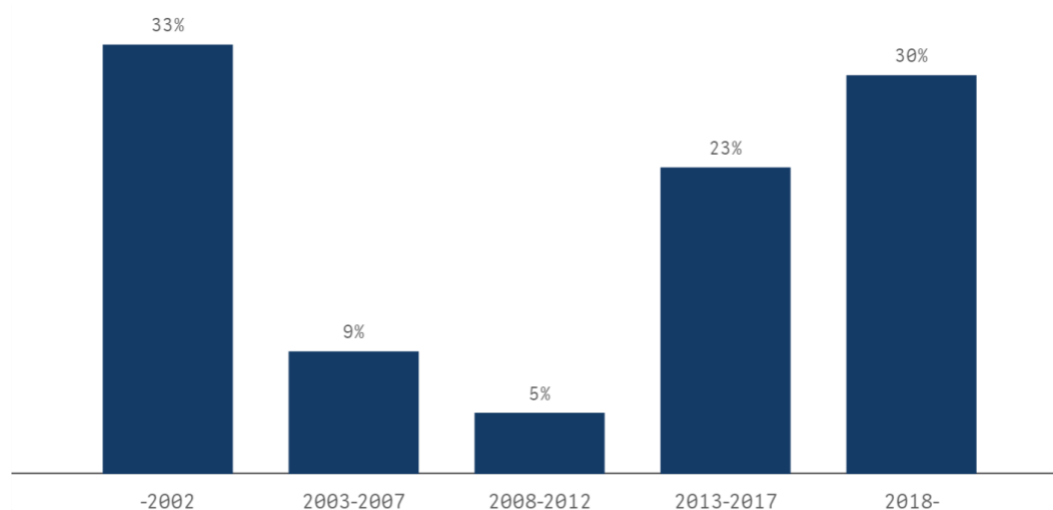
THE MARKET

A shared history

Swedish firms represented in the Business Climate Survey 2024 design, develop, manufacture and market solutions across a spectrum of industries – underscoring Sweden’s wide-ranging expertise. Business-to-business technical products such as industrial equipment, IT, electronics and forestry products are best represented in Canada, though consumer goods, retail products and pharmaceutical goods collectively constitute 1/6 of the Swedish-Canadian trade relationship.

Over 120 Swedish firms are known to be established in Canada. Larger companies tend to have a greater impact on the Canadian economy – with multiple branch offices, warehouses, manufacturing facilities, and employees from Canada’s world-renowned talent pool. Smaller Swedish firms trend towards more agile solutions – utilising virtual office space or an indirect relationship to the market, such as a non-resident registration or an exclusive distributor relationship to be present in Canada. Older Swedish companies are well represented in Canada and generally have a more positive outlook on the local market, possibly owing to their cemented market position. Generally, Swedish companies are eager to enter Canada – with over 50 per cent of companies surveyed having established in Canada only in the last decade.

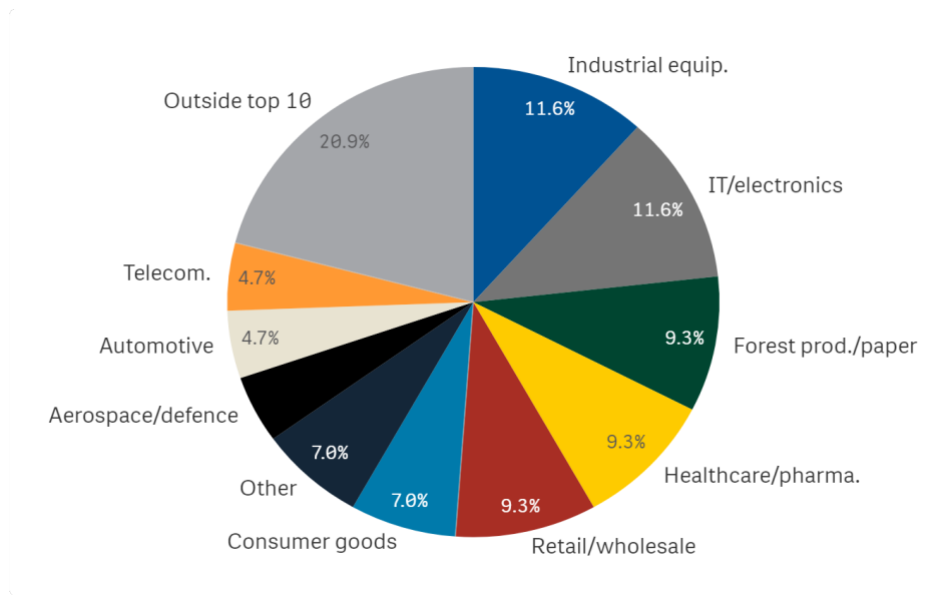
IN WHAT YEAR DID YOUR COMPANY ESTABLISH OPERATIONS IN CANADA?



NOTE: The number of respondents for this question was 43. “Don’t know/Not applicable” responses are included but not shown in figure.

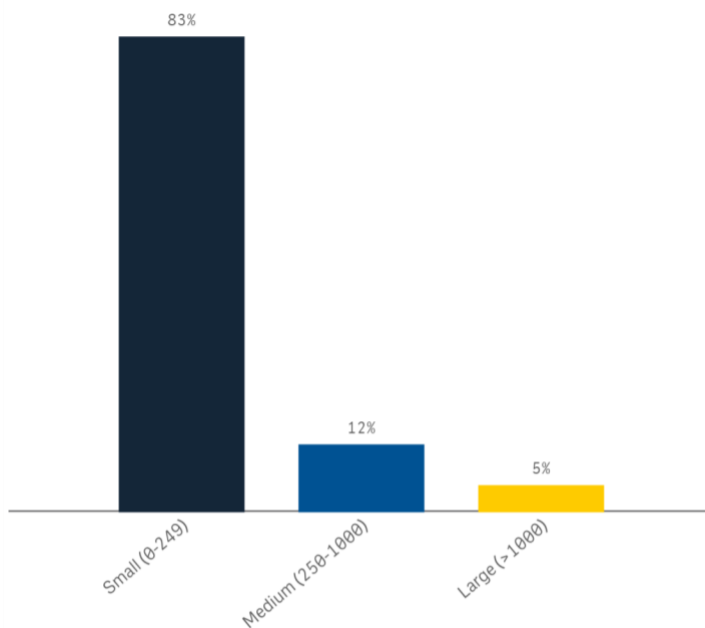
SOURCE: Business Climate Survey for Swedish Companies in Canada 2024.

WHAT IS YOUR COMPANY’S MAIN INDUSTRY IN CANADA?



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 Canada 2024.

SWEDISH FIRMS’ LOCAL NUMBER OF EMPLOYEES IN CANADA IN 2024



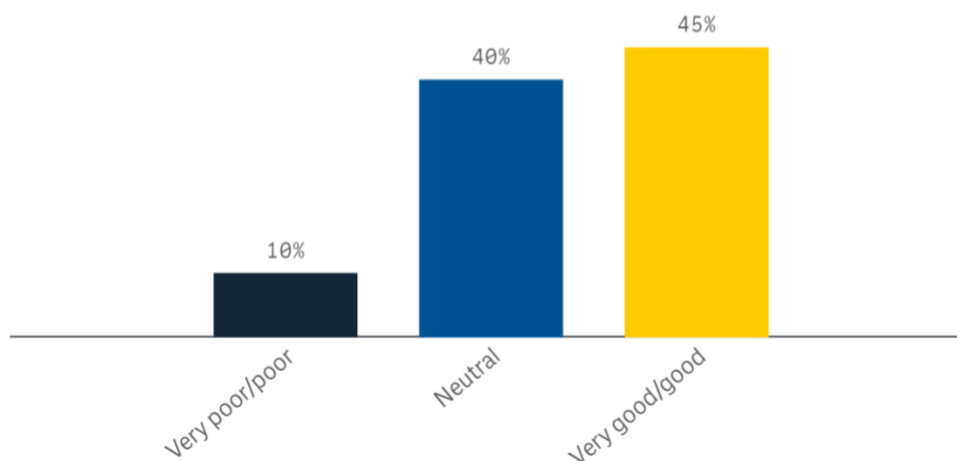
NOTE: The number of respondents for this question was 42. “Don’t know/Not applicable” responses are included but not shown in figure.
 SOURCE: Business Climate Survey for Swedish Companies in Canada 2024.

Changing tides

Similar to the business climate in 2021, 85 per cent of Swedish firms perceive the business environment in Canada to be ‘neutral’ ‘good’ or ‘very good’ – representing a strong performance by the Canadian business environment despite a turbulent year.

Unlike in previous years, more Swedish businesses rank the business climate in Canada as 'neutral' than ever before. This may be explained in part by the economic cooldown in Canada, reinforced through fiscal policies designed to slow inflation experienced in early 2023 – which in turn were due in part to geopolitical conflicts. As a globally connected nation with trading partners on every continent, shocks to the world economy deeply affect Canada. As spending habits were reduced and numerous world economies cooled, advanced economies like Sweden and Canada experienced the slowing aftereffects – as did their firms.

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN CANADA?



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

SOURCE: Business Climate Survey for Swedish Companies in Canada 2024.

Strong base for business

In 2024, Swedish companies continue to value personal safety, transparency, equal treatment and strong business networks in Canada. Rated among the most beloved Canadian qualities since the inception of the Business Climate Survey, Swedish companies cherish in Canada the same qualities they love in Sweden:

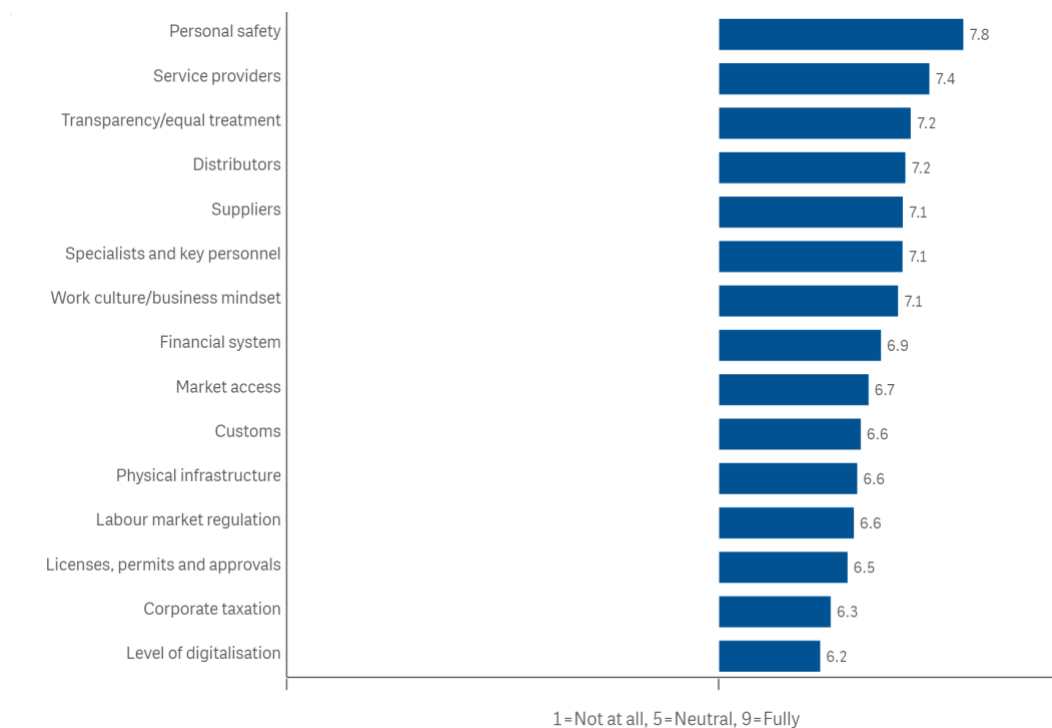
- Canada is rated among the safest countries in the world, emerging as 2024's "Safest place to travel", according to Berkshire Hathaway Travel Protection rankings
- Canadians and Swedes deeply value equal treatment and transparency in the local business environment – which create certainty and ease of doing business. In Canada as in Sweden, companies can find accurate statistical and business information freely available since government data and reporting is clear and evidence-based
- Canada is consistently rated among the best countries in transparency, on par with European nations like Ireland and Portugal. In 2023, the US News and Wharton School of the University of Pennsylvania rated Canada as the sixth most transparent country in the world and the only North American nation in their rankings.

Canada's history is that of a resource-based economy, which pivoted to a North American manufacturing hub before transforming into one of the world's largest service-based economies. Thus, Canada has a strong base and diversity of suppliers, distributors, and service providers for Swedish companies, allowing them to focus on their core offering and provide the most competitive products and services in the local business environment.

In 2024, Swedish companies noted Canada's level of digitalisation, corporate taxation, licenses, permits and approval processes as most challenging qualities of doing business in Canada. Like

Canada's strengths, these qualities have been consistently ranked among Canada's weaknesses. However, this year's rankings show the positioning of each is improving – likely owed to government initiatives specifically targeting these qualities.

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



NOTE: The number of respondents for this question was 44.
SOURCE: Business Climate Survey for Swedish Companies in Canada 2024.

Customary concerns

Though overall satisfied with business conditions in Canada, Swedish companies report some dissatisfaction with some import procedures, including customs and fees. Despite the transformative 2017 free trade agreement, the Canada-European Union Comprehensive Economic and Trade Agreement (CETA), which eliminated most customs duties for EU-Canada products, trade differences continue to exist in certain product categories such as agricultural goods and intellectual property rights. Export and customs procedures, similarly, may be more complicated in Canada than any markets close to Sweden or in the EU.

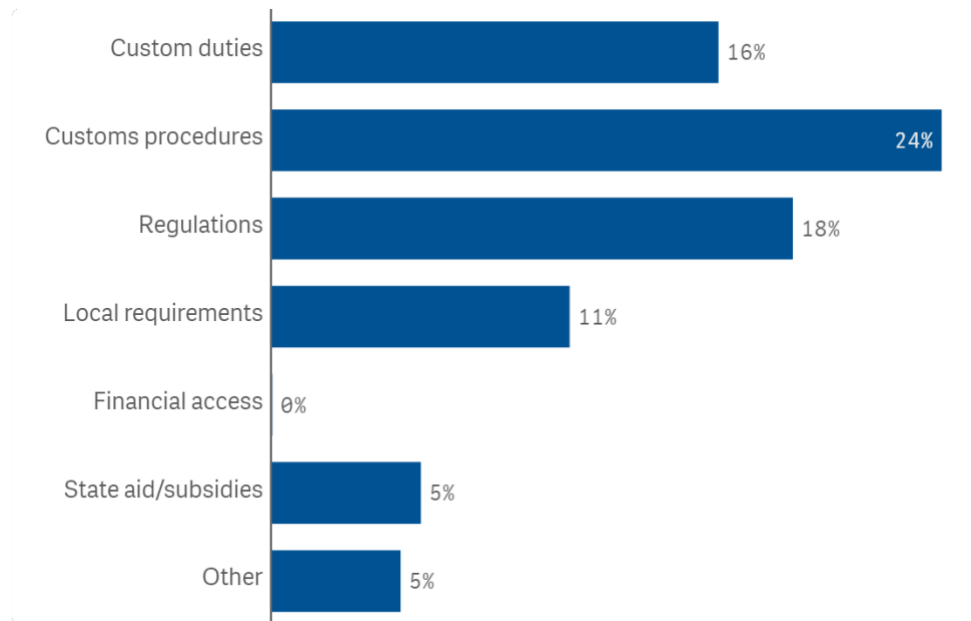
Canada is home to a variety of people and cultures. Divided responsibility among municipal, provincial, and federal governments is an entrenched aspect of the political and economic system. These are inherent qualities of Canada, which can create differences in marketing segments and product sales requirements, possibly explained by Swedish companies, noting local requirements and regulations as trade barriers to operating in Canada. Swedish companies can overcome this barrier by seeking advice from establishing contact with local markets and their representatives, including through services offered by Business Sweden and the Embassy of Sweden.

Few to no Swedish firms note access to state aid, subsidies, and or financial access as barriers to operating in Canada, commenting on Canada's strong financial and regulatory systems. As home to the ninth largest stock exchange in the world, with a market cap of \$3.5 trillion, significant capital is available for both domestic and foreign firms.

Canada also boasts a strong banking sector, with zero bank failures in the 21st century.

“Many people who once perceived Canada’s banking system as stodgy or risk averse finally recognised it for its prudent lending practices, diligent government oversight and sensible regulation based on two core tenets—safety and soundness.” Mathieu Labrèche, director of media strategy and communications at the Canadian Bankers Association in Toronto

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



NOTE: The number of respondents for this question was 44.

SOURCE: Business Climate Survey for Swedish Companies in Canada 2024.

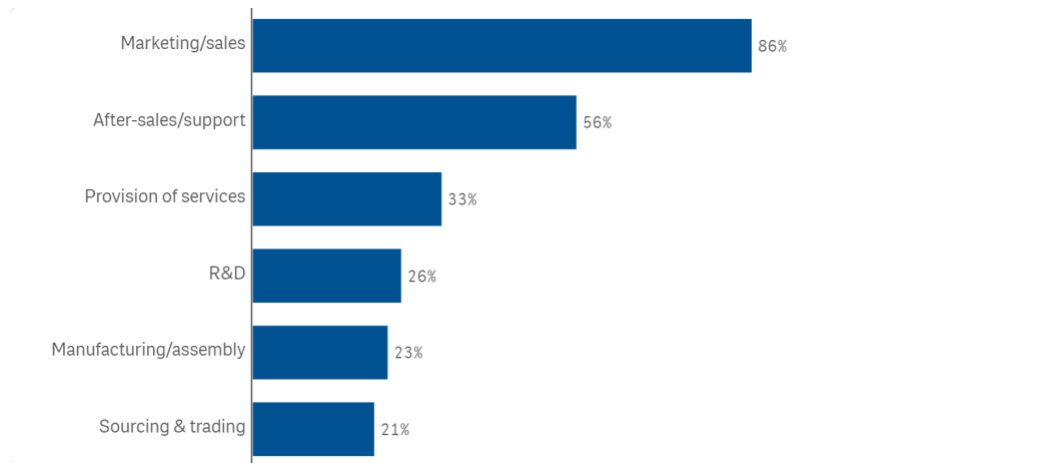
HOW SWEDISH COMPANIES SUCCEED IN CANADA

Diverse business opportunities

Canada's strengths are numerous, and Swedish companies generally consider Canada a comfortable place to do business. Typically, Canada is an end market for Swedish goods and services. Most Swedish firms choose to sell to Canadians or Canadian businesses – with 86 per cent of companies indicating to marketing, sales, and after-sales support as their primary local business activity.

However, all business segments are represented in Canada, with at least 21 per cent of Swedish firms performing at least one of the following activities locally: manufacturing, assembly, research & development, sourcing & trading. It can be noted that Swedish companies are diversifying their local operations compared to previous years: in 2020, only seven per cent of firms reported sourcing & trading activities in Canada, and 17 per cent manufacturing & assembly (compare to 21 per cent for sourcing and trading and 23 per cent for manufacturing in 2024, respectively). Alongside major North American – and specifically Canadian - investment announcements and general trend of nearshoring, Swedish manufacturing and assembly operations may grow in Canada.

OPERATIONS OF SWEDISH FIRMS IN THE MARKET



NOTE: The number of respondents for this question was 44. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Canada 2024.

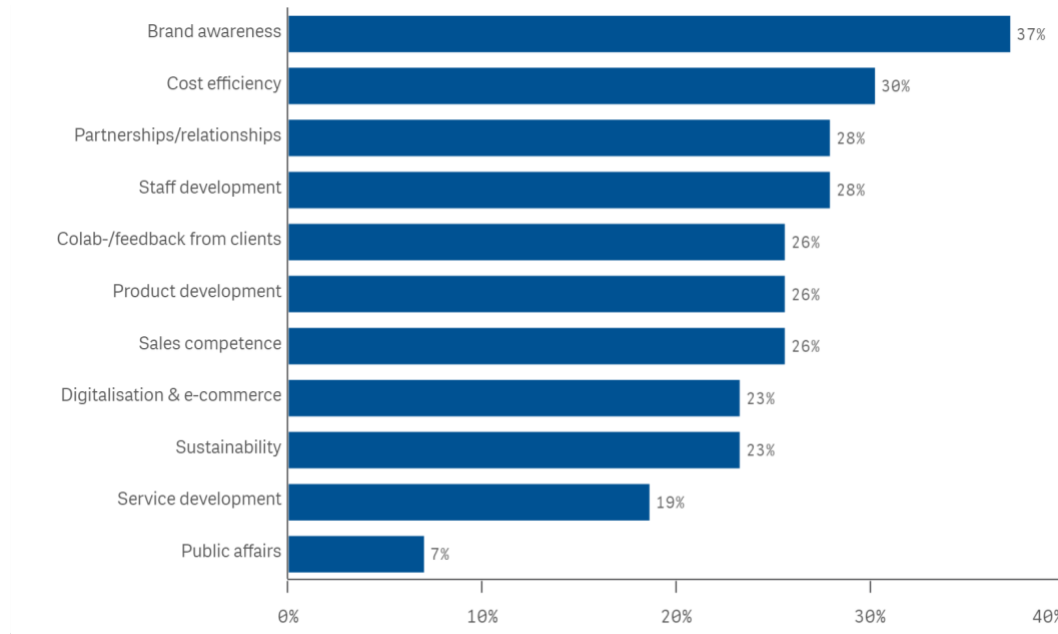
Canada's consistent strengths

Swedish companies participating in the Canadian marketplace report brand awareness, cost efficiency, the value of partnerships and relationships as key to maintaining competitiveness in Canada. Brand awareness remains the most key to Swedish companies entering and maintaining their competitiveness in the local market.

Though the value of partnerships and relationships rose while the value of sales competence has fallen marginally, Swedish companies' perceptions of Canada's strengths have remained relatively

consistent since the inception of the business climate survey over five years ago. Overall, Swedish companies report that nearly all factors measured, from the level of digitalisation to customer feedback, are vital to maintaining competitiveness in a mature and wealthy nation like Canada, where customers remain brand loyal but are willing to try new market offerings.

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



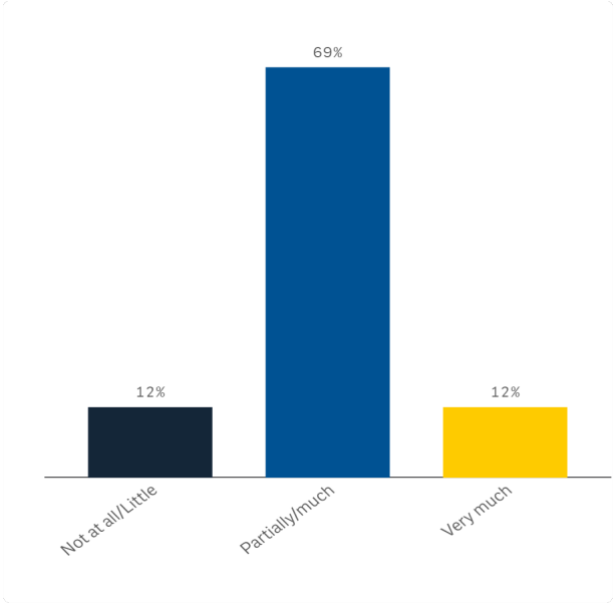
NOTE: The number of respondents for this question was 44. "Don't know/Not applicable" responses are included but not shown in figure.
 SOURCE: Business Climate Survey for Swedish Companies in Canada 2024.

Canadians love our Swedish brand

In a record-breaking year, more companies than ever note the Swedish brand is important to their business in Canada, with 81 per cent of Swedish firms reporting their "Swedishness" contributes 'partially', 'significantly' or 'very significantly' to their local success. Canadians are known to associate the Swedish brand with sustainability, trustworthiness, and innovation. In a growingly conflicted and environmentally damaged world, Swedish brands stand out as a beacon of high-quality products and good business practices.

Swedish cultural influence is growing across Canada, and not just as Fjällräven bags and jackets lining Canadian streets. In recent years, IKEA's Valentine's Day Special meal course sold out across the country, Swedish candy became a star of countless North American TikToks, Swedish dishcloths are being touted as the perfect solution for a conscious consumer and even the concept of 'Swedish death cleaning' experienced a surge in popularity. These successes are helping to build the Swedish brand in Canada more broadly – which may be contributing to Swedish brands further embracing their roots. Even North American brands unrelated to Scandinavia may choose to imply a Nordic connection in their branding to associate themselves with the best of Scandinavian quality.

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



NOTE: The number of respondents for this question was 42. “Don’t know/Not applicable” responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Canada 2024.

ACTING SUSTAINABLY

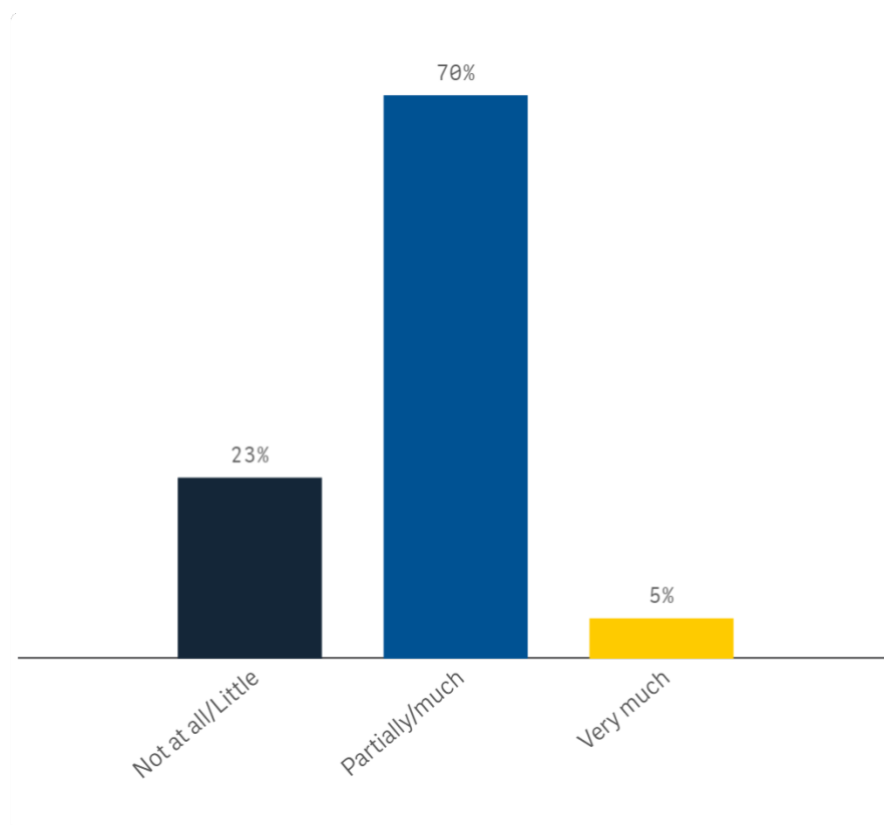
Canadian consumers remain conscious

After a striking year of unreliable weather, wildfires and smoke affecting nearly every corner of the Canadian landmass, Canadians are experiencing climate change more than ever before. According to Leger polling, nearly 93 per cent of Canadians are at least partially concerned about climate change. Furthermore, Canadians are acting upon their fears to motivate themselves to make smarter, more climate-friendly choices.

In 2024, Swedish firms noted that over 75 per cent of Canadians consider environmental aspects of a product prior to purchase. Year over year, Swedish firms have noted Canadians' strong value-driven purchase decisions and Canadians have consistently been among the most environmentally conscious in the world (according to Swedish firms). Canadians' concerns and specific consumption choices create significant opportunities for values-driven Swedish firms offering sustainable products and services.

In 2024, Canadians were more likely to consider environmental aspects 'partially' or 'much' as opposed to previously highly rated 'very much'. Canadians care about the effects of their product and service consumption – even in difficult economic times, when consumers may struggle to absorb the cost of environmentally friendly goods at a potentially higher price point. This may explain a slight reduction in overall environmental considerations in environmental purchasing decisions.

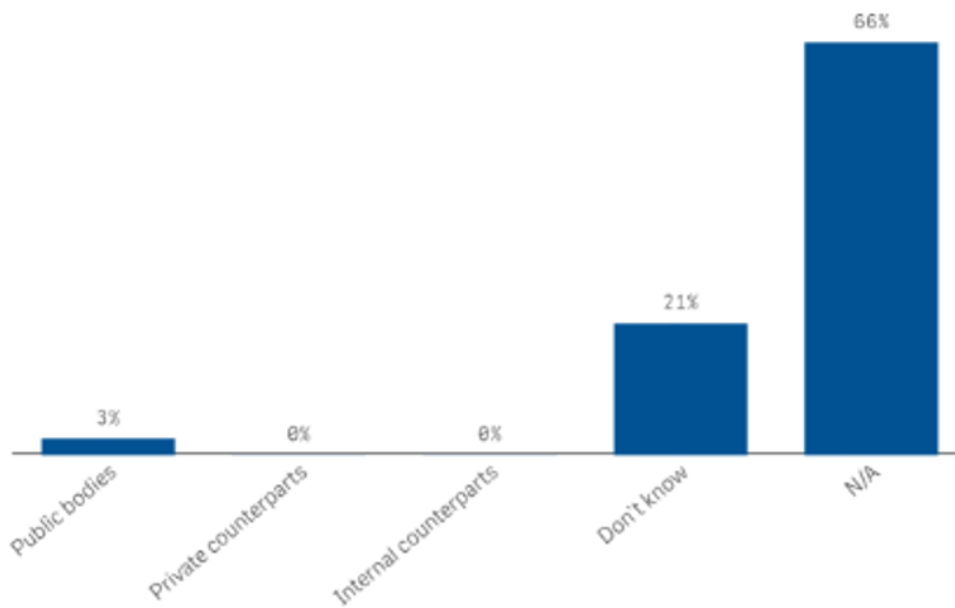
TO WHAT EXTENT DO CUSTOMERS IN CANADA CONSIDER ENVIRONMENTAL ASPECTS OF A PRODUCT OR SERVICE IN THEIR PURCHASING DECISION?



NOTE: The number of respondents for this question was 40. "Don't know/Not applicable" responses are included but not shown in figure.
 SOURCE: Business Climate Survey for Swedish Companies in Canada 2024.

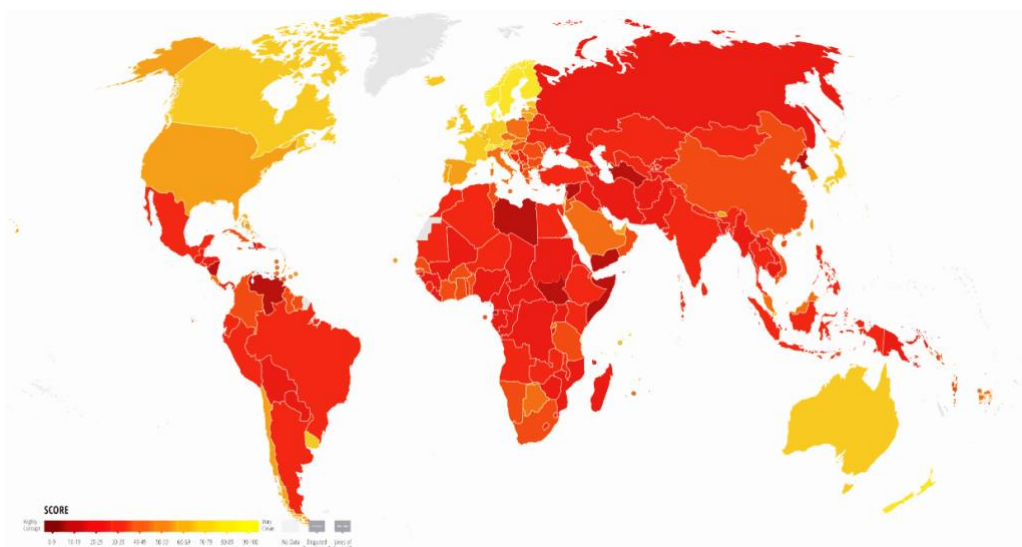
Ethical environments

HAS YOUR COMPANY IN CANADA 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 44. "Don't know/Not applicable" responses are included but not shown in figure.
 SOURCE: Business Climate Survey for Swedish Companies in Canada 2024.

CORRUPTION PERCEPTION INDEX 2023



SOURCE: Transparency International

SUCCESS CASE

AFRY AB



AFRY INTERNATIONAL

Accelerating the transition towards a sustainable society

AFRY provides engineering, design, digital and advisory services to accelerate the transition towards a sustainable society. We are 19,000 devoted experts in industry, energy and infrastructure sectors, creating impact for generations to come. AFRY has Nordic roots with a global reach, net sales of 27 BSEK and is listed on Nasdaq Stockholm.

AFRY delivers leading engineering and consulting services for the global process industry sector including Pulp & Paper, Chemical, Biorefining, Mining & Metals and Food & Beverage industries, with a special focus in growth sectors such as batteries, green hydrogen, textiles and plastic recycling.

AFRY's offering extends the entire business lifecycle, from early strategic development phases to large CAPEX implementation projects and rebuilds, including operational support, and is based on a strong combination of process technology competencies, multidisciplinary engineering expertise, and project management capabilities. Digitalisation, safety, and sustainability are key to our services.

AFRY AB IN CANADA

Since being incorporated in February 1994, AFRY has executed from our local operations over 800+ engineering projects, including strategic planning, project definitions, detail design engineering and project management. We have more 200 experts in Canada supported by more than over 4000 process industry experts globally.



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