



Sweden
Sverige



BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN THE UNITED STATES 2023

A REPORT FROM TEAM SWEDEN IN THE UNITED STATES

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KEY CONTRIBUTORS TO THIS REPORT

- Business Sweden in the US
- Swedish-American Chambers of Commerce
- Swedish-American Chamber of Commerce New York
- Embassy of Sweden in Washington DC
- Consulate General of Sweden in New York

124 respondents for the US

Current business climate

Continued positive view on the current business climate

Industry turnover

72%

of Swedish companies expect their industry turnover to increase

Future investments

57%

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

Valued success factors in the US

1. Sales competence
2. Brand awareness
3. Collaboration/feedback from clients

Brand Sweden

65%

of Swedish companies abroad consider Brand Sweden beneficial for business

Local conditions with high satisfaction

1. Service providers
2. Suppliers
3. Distributors

Local conditions with least satisfaction

1. Labour market
2. Digitalisation
3. Financial system

Environmental considerations

47%

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

Corruption

Low risk in advanced economies such as the US

Human rights violation and labour rights abuse

Low risk in advanced economies such as the US

FOREWORD

The United States, with its vast market and diverse business environment, offers a multitude of opportunities for Swedish companies looking to establish a presence or expand their operations overseas. Of the Swedish companies contributing to this report, 61 per cent perceive the US market as a good/very good business landscape to be a part of. This report aims to provide an overview of the current business climate in the US and highlight key factors that Swedish companies should consider when entering or operating in this market.

In this year's Business Climate Survey, we see a continued positive commitment from Swedish companies for the US market, with a majority (72 per cent) of the responding companies expecting increasing revenues. However, we also see an increased share of companies expecting a decrease in turnover in the upcoming year (13 vs 3 per cent in previous years), possibly reflecting the current challenging economic situation in the market. Even though turnover growth could be challenging, there is still a commitment to continue investing in the US – with 88 per cent of the companies expected to continue investing at the same level as in previous years or even increasing their investments.

Despite the positive commitment to the market, challenges for Swedish companies operating in the US market still exist as they relate to high inflation, labour shortage, the complex regulatory landscape, and a changing policy landscape. One-fourth of all companies in this year's survey see regulations as a barrier for the US market and thus having a negative impact on operations.

Most of the Swedish companies surveyed focus on establishing a local sales organisation in the US in order to be closer to customers and remain competitive and relevant. Only 23 per cent of the companies have manufacturing in the US, as the costs tend to be higher in comparison to other global markets. However, the new policies with Build American/Buy American might create a shift over time, with more companies looking into expanding their US footprint within manufacturing.

Team Sweden is here to support both small and large Swedish businesses in their US growth journey with services ranging from physical office space to local incorporations, partnership networks, policy intelligence, and strategic business advice to validate product-market fit and determine the best strategy for the US.

On a final note, we would like to extend our most sincere gratitude to the Business Climate Survey respondents for their invaluable contributions to this report. Together, we will continue to seek opportunities for growth and mutually beneficial trade.



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ABOUT THE SURVEY

Report on Swedish business activity in the US

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

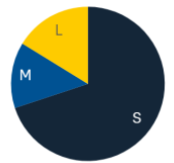
Today, it is likely that more than a thousand Swedish or Swedish-affiliated subsidiaries are active in the US. More than 800 Swedish companies were contacted to partake in the 2023 Business Climate Survey, with answers collected during March and April 2023. Selected companies were interviewed to ensure a deeper understanding of the factors driving their responses. This year's Business Climate Survey received a total of 124 responses.

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

Seventy per cent of respondents were small-sized companies, followed by large-size companies (16 per cent) and medium-sized companies (14 per cent). The diverse range of business areas represented in this report are grouped into three broad categories: professional services representing 35 per cent of respondents, followed by industrial companies (44 per cent) and consumer companies (21 per cent).

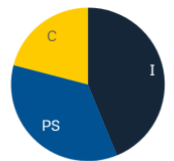
In terms of age or time of establishment in the US, experienced companies represent 39 per cent of respondents, followed by mature companies (35 per cent) and newcomers (27 per cent). It should be noted that the size and industry composition of our respondents is not representative of the overall American business landscape. Any of the statistics presented in this report are solely indicative of our respondents' experience in the US.

SIZE OF COMPANIES



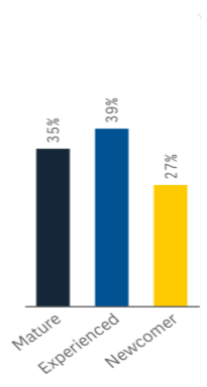
NOTE: Global employees. Large >1000 (16%). Medium 250-1000 (14%). Small 0-249 (70%).

MAIN INDUSTRY



NOTE: 35% Professional Services. 44% Industrial. 21% Consumer.

AGE OF COMPANIES



NOTE: Mature (-2000). Experienced (2001-2015). Newcomer (2017-)

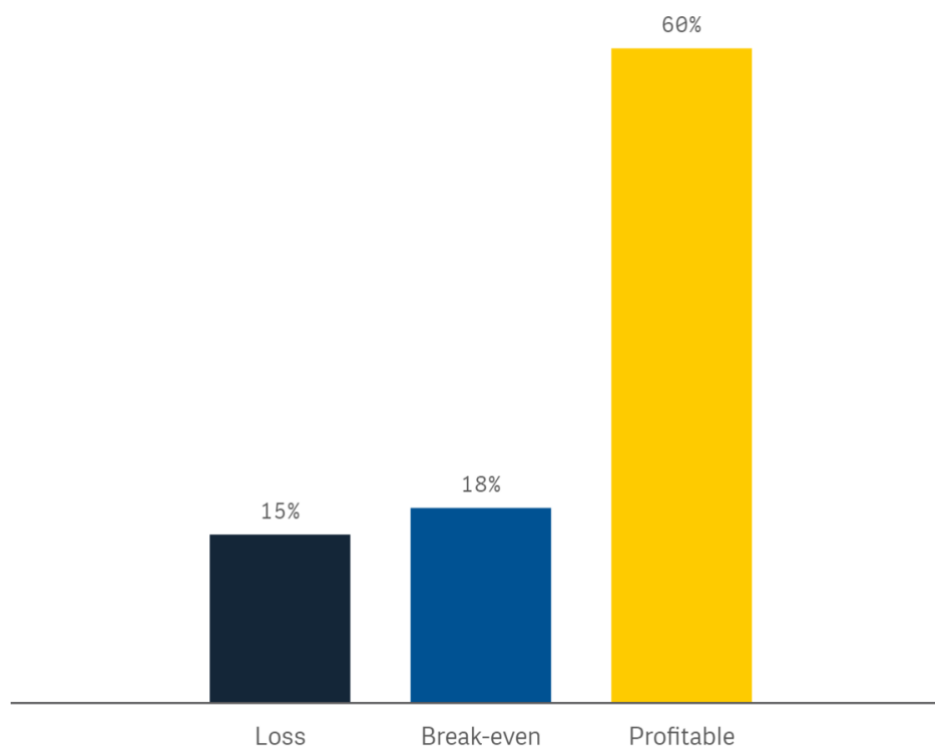
ECONOMIC OUTLOOK

Most companies were profitable in this year's survey

Among Swedish companies responding to the Business Climate Survey, 60 per cent reported a profitable financial performance in 2022 – while 18 per cent broke even, and 15 per cent registered a loss. The remaining seven per cent of respondents did not indicate their profitability. When excluding these “non-respondents” (i.e., answering “Don't know/Not applicable”), the share of profitable respondents was slightly lower for this year's survey (64 per cent) compared to last year (67 per cent) – in line with expectations, given the economic recovery.

Despite uncertainties regarding the US economy, most respondents clearly believe in continued growth for their respective industries over the near future. Business Sweden's Export Managers' Index (EMI), which reflects sentiment among Swedish exporters of goods and services, indicated a worldwide unexpectedly strong optimism regarding export demand in the second quarter of 2023. North America was ranked second after Asia, which indicates that the US market remains highly interesting for Swedish businesses.

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN THE US IN 2022?



NOTE: The number of respondents for this question was 124. “Don't know/Not applicable” responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in the United States 2023.

US inflation declines after an all-time high, the economy continues to be unstable

The pandemic's entrance in 2020 resulted in a decline in the US GDP, according to the US Bureau of Economic Analysis. However, the US recovered well and presented a GDP growth of 5.9 per cent for 2021 – the highest annual figure since 1984. During the first two quarters of 2022, the US economy entered an economic downturn, which was strongly connected to Russia's invasion of Ukraine in February 2022. During the last two quarters of 2022, the US economy recovered slightly, resulting in an overall GDP growth of 2.1 per cent for 2022.

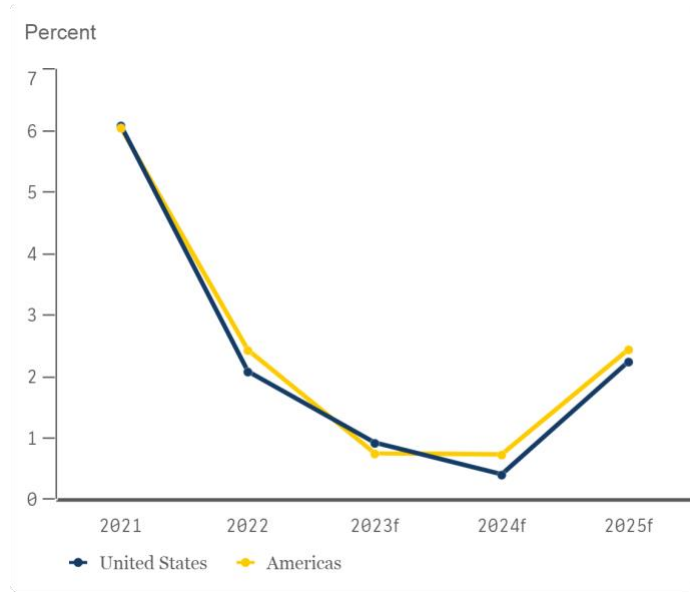
The GDP growth rate has slowed down during 2023, presenting a GDP growth of only 1.1 per cent for the first quarter. In parallel, US inflation remains a debated topic. Inflation reached its peak of 9.1 per cent in June 2022 but has thereafter steadily decreased, presenting an inflation of 4.9 per cent in April 2023. However, concerns related to the inflation are evident among survey respondents, with 66 per cent indicating moderate or severe concern with the effects of high and persistent inflation on their ability to do business in the US. Only two per cent indicated no concern, while another 33 per cent indicated very mild or mild concern. In an effort to combat inflation, The Federal Reserve has, since the beginning of 2022, raised interest rates at the fastest pace since the 1980s, being 5.25% in June 2023, but analysts believe that the interest rate will reach its peak during the remainder of 2023.

High inflation, rising interest rates and the collapse of three US banks have caused economists to debate whether the US is about to enter an economic recession. The Federal Reserve Bank of New York estimates the probability of the US entering a recession sometime in the next 12 months to be 68 per cent, which is the highest probability in over four decades. At the same time, the US economy is doing well considering parameters such as the unemployment rate, which in May 2023 was as low as 3.7 %, and many analysts project that the inflation will continue to decline. However, the near future of the US economy is overall unstable and difficult to predict.

Looking ahead, Swedish company respondents are overwhelmingly optimistic about turnover growth in their respective industries over the coming 12 months – with 72 per cent of respondents expecting increased turnover, 13 per cent expecting unchanged turnover, and 13 per cent expecting a decline. An additional two per cent did not indicate their expectations. When excluding non-respondents, turnover optimism was lower in 2023 (74 per cent) compared to 2022 (87 per cent).

▶ **“We have seen price increases in the US the past year, but it is not vastly different from Europe.”**

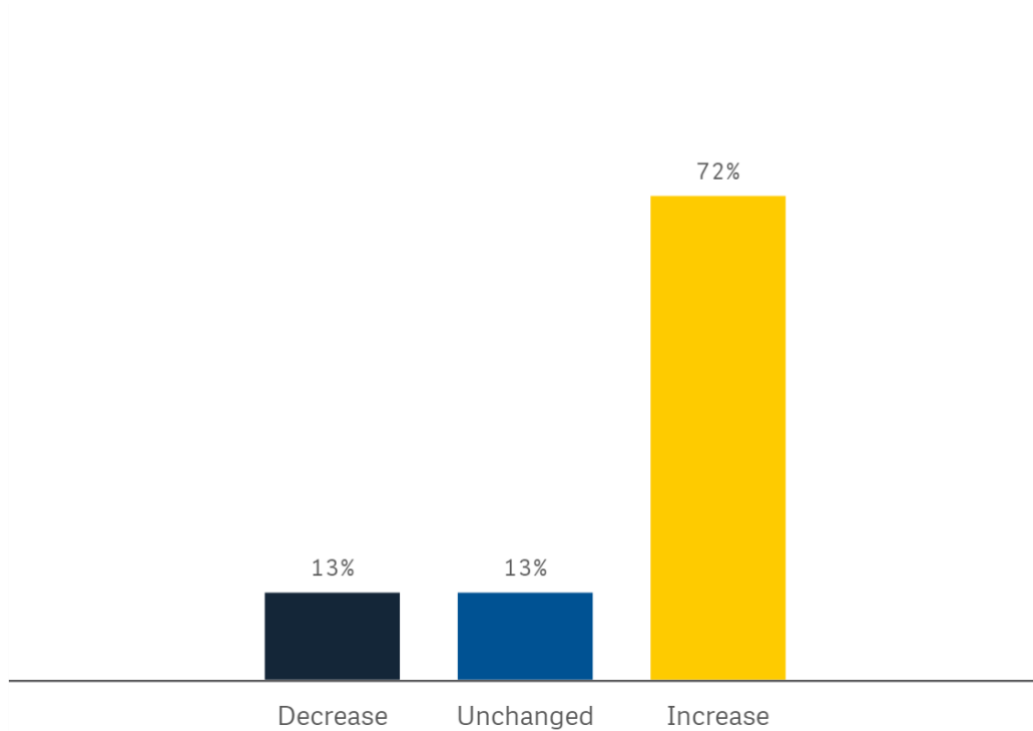
PROJECTED GDP GROWTH IN THE US



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

NOTE: Constant prices.
SOURCE: Oxford Economics. GDP, real, annual growth, Last update: 24 April 2023

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



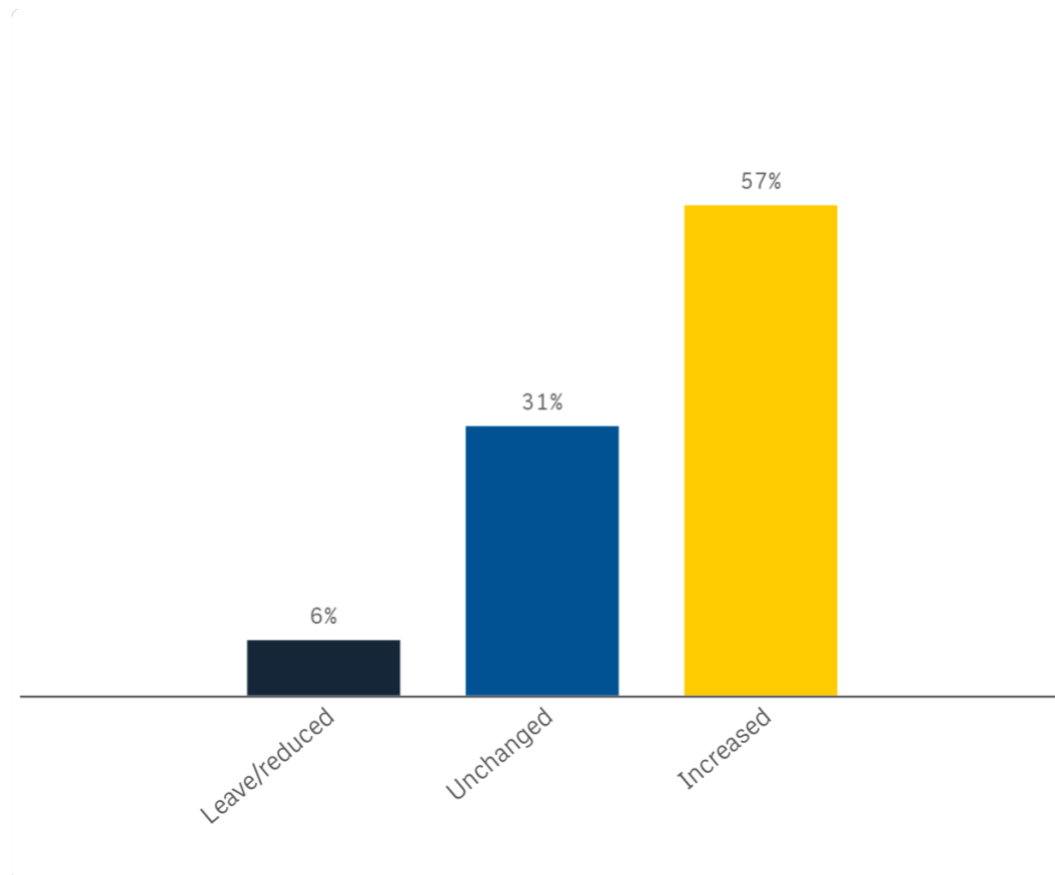
NOTE: The number of respondents for this question was 124. “Don’t know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in the US 2023.

An overwhelming majority of respondents plan to increase US investment

The US continues to be a prime destination for Swedish foreign direct investment (FDI). The US is home to the highest amount of Swedish FDI assets, accounting for 22 per cent of Sweden's global share, making Sweden the 14th largest investor in the US. Furthermore, Swedish FDI in the US increased by 35 per cent during 2021 compared to 2020, which made the US the country in which Swedish direct investment assets increased the most in 2021. A possible explanation for this increase is the 10.4 per cent weakening of the Swedish krona against the US dollar during 2021, which made the US more favourable for Swedish companies.

Among survey respondents, 57 per cent plan to increase US investments in the coming year, while 31 per cent plan to maintain investment levels and only six per cent plan to reduce investments or exit the market entirely. When excluding non-respondents, the share of respondents planning to increase investments decreased in 2023 (60 per cent) compared to 2022 (67 per cent). However, by the same measure, the number of respondents who plan to reduce or leave the market increased in 2023 (seven per cent) compared to 2022 (three per cent).

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



NOTE: Reduced and increased represent aggregations of slight/significant development changes. The number of respondents for this question was 124. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in the US 2023.

THE MARKET

The US market continues to be a strong economic market globally but faces challenges with the labour shortage

The US continues to be the world's largest economy, with a GDP of \$25 trillion in 2022, while China and Japan are the second and third with a GDP of \$18 and \$5 trillion, respectively. Calculated per capita, the US has the largest GDP among countries with a population of at least 10 million, which is a sign of the country's economic productivity. The US GDP per capita of \$76,398 in 2022 – almost \$20,000 more than Sweden's GDP per capita of \$55,873. The US also scores high for economic complexity, which is calculated by measuring the number of products that are exported from a country and the number of countries the goods are exported to. The US ranked as the 10th country in the Economic Complexity Index 2021, slightly behind Sweden, which was ranked in eighth place. On top of this, the US can also serve as an entry point for many companies wanting to enter other parts of the North and South American market.

The US is a major driver of the global economy, and this continues to attract Swedish companies. Almost half of the respondent companies have been in the US for more than a decade, and 34 per cent have been established in the US since 2017 – with approximately a fifth of all companies established since the start of the pandemic in 2020 showcasing the continued attractiveness of the market. The size of the US subsidiaries is considered small, with the vast majority having less than 250 employees. When analysing this year's respondents of the Business Climate Survey, the Swedish business presence in the US spans across several industries, with the most common industries being Other (15.3%), Industrial equipment (14.5%), IT/Electronics (11.3%) and Healthcare/Pharma (9.7%). This categorisation should not be considered the definite proportion of the Swedish presence in the US market – but goes well in line with the type of companies looking into the US market with the support of Team Sweden.

Labour shortages have become a pressing issue in the US, as the unemployment rate currently is at a 50-year low. In June 2023, the US Bureau of Labor Statistics reported 10 million job openings but only 5.8 million unemployed persons. Moreover, the labour force participation rate is currently 62.6 per cent. This percentage represents the share of the population older than 16 that is either working or actively looking for a job and has remained below historical levels ever since the pandemic.

Looking back at the pandemic, it severely affected the US labour market, driving the unemployment rate to 14.7 per cent in April 2020, compared to 3.6 per cent the year before. Since then, job openings have increased, and the unemployment rate has declined. However, in May 2023, the US Chamber noted that there were almost two million fewer Americans working compared to pre-pandemic levels of February 2020, despite the fact that there are more jobs than people available.

There are several possible reasons explaining the historically low labour force participation rate. One is a higher pace of retirement and an ageing population. According to the Social Security Administration, 48.6 million (15 per cent of the total population) Americans retired in December 2022 and received Social Security Benefits. The forecast indicates the number of people aged 65 and older will increase from 58 million in 2022 to 76 million in 2035. The pandemic was one accelerator for early retirement, and over three million adults retired early throughout the pandemic.

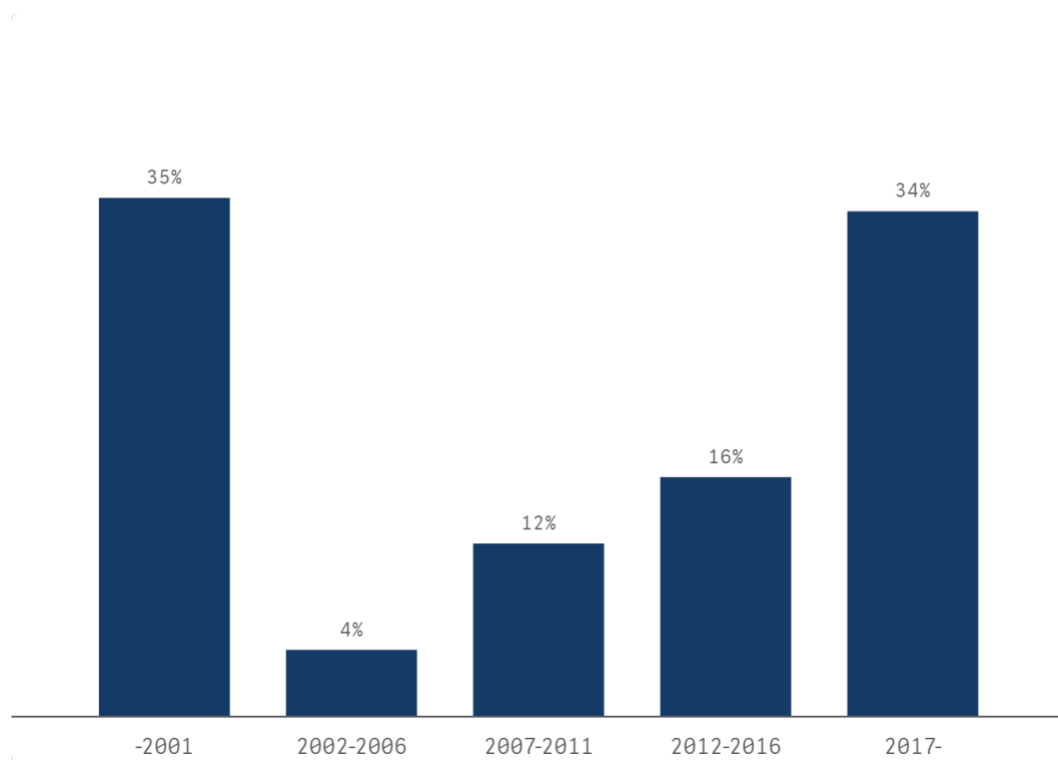
On top of this, the US is experiencing a slower population growth than pre-pandemic; however, the growth increased somewhat from 2021 to 2022 (+0.2% vs +0.4%). Furthermore, the work expectations are higher, and the interest in low-paying jobs has decreased as people have begun to reflect more upon their work situations. The term "The Great Resignation" was created in May 2021 to describe the boom of people voluntarily leaving their jobs. This have later turned into "The

Great Reshuffle”, indicating that more than half of the people leaving their jobs are looking for new jobs, but with more freedom and flexible work conditions.

There are several other parameters contributing to the low labour force participation rate. Some examples are higher unemployment benefits, increased dependent care needs, and an increased amount of savings, thanks to the low spending levels during the pandemic.

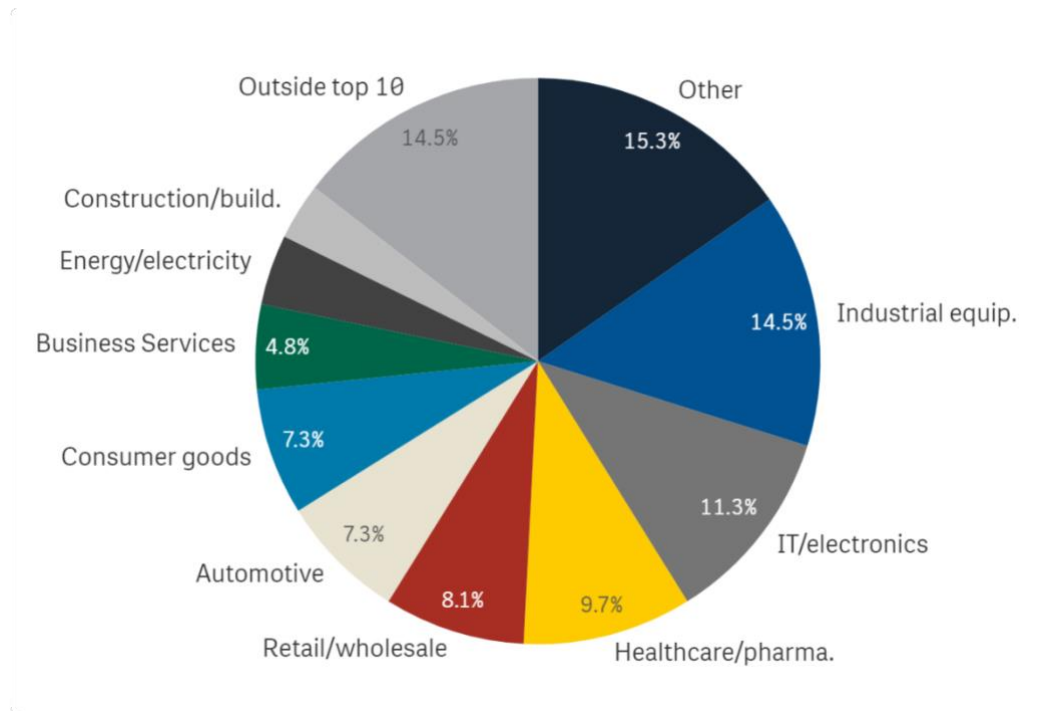
The labour shortage in the US is one of the most prominent challenges emphasised by the respondents in this year’s Business Climate Survey. Multiple companies are experiencing difficulties in finding persons with suitable skills, and if someone with the necessary skillset is found, the salary expectations are higher than expected.

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



NOTE: The number of respondents for this question was 124. “Don’t know/Not applicable” responses are included but not shown in figure.

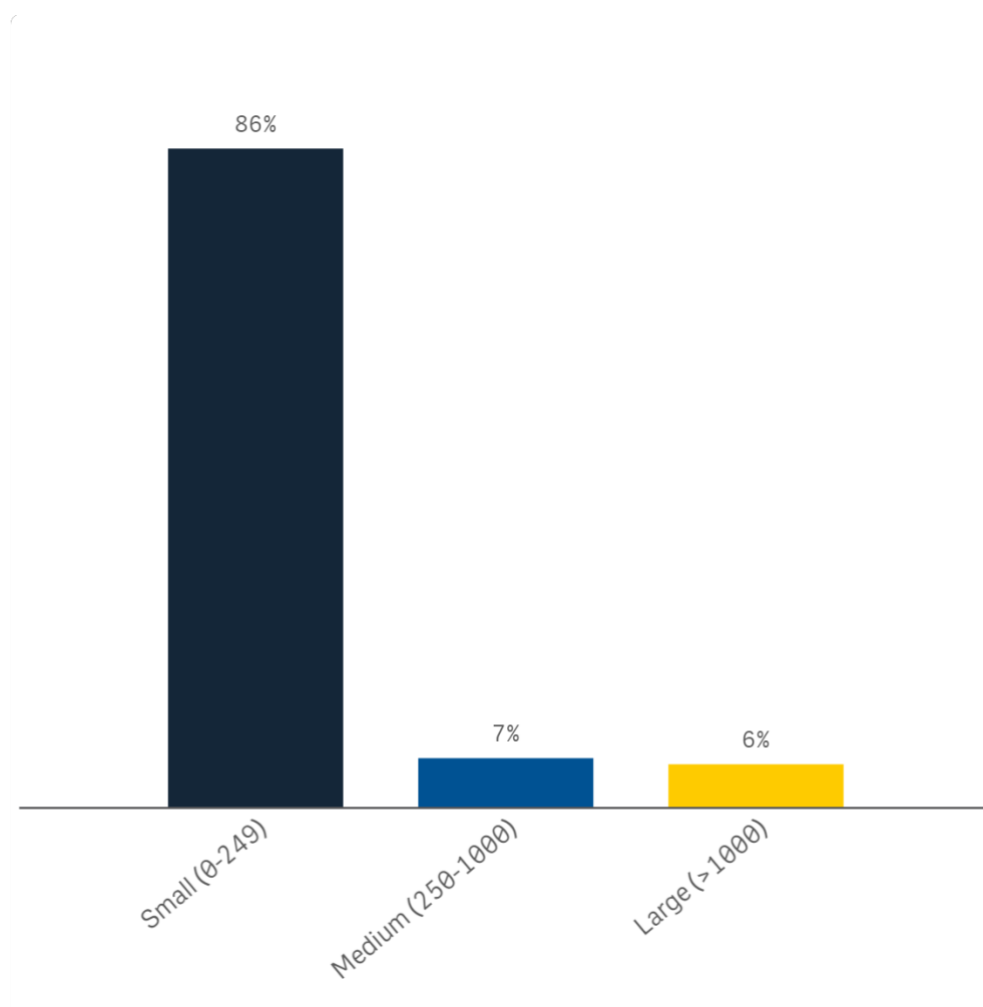
SOURCE: Business Climate Survey for Swedish Companies in the US 2023.

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

NOTE: The number of respondents for this question was 124. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in the US 2023.

SWEDISH FIRMS' LOCAL NUMBER OF EMPLOYEES IN THE US IN 2023



NOTE: The number of respondents for this question was 124. "Don't know/Not applicable" responses are included but not shown in figure.

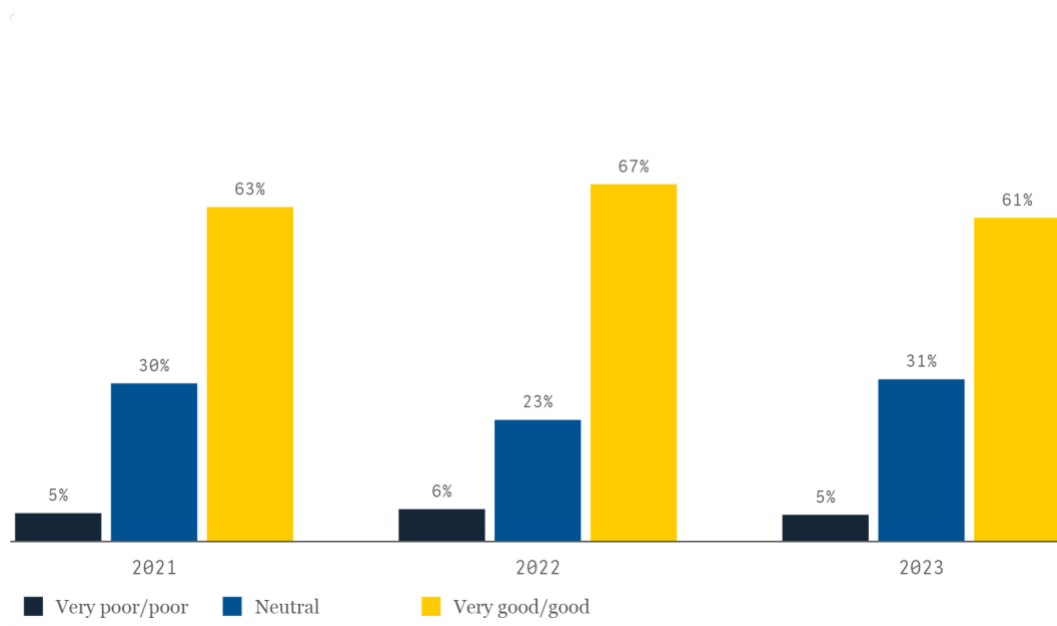
SOURCE: Business Climate Survey for Swedish Companies in the US 2023.

Swedish companies continue to report an overall good business climate in the US

Of the Swedish companies surveyed that are active in the US market, 61 per cent state that the general business climate is "good or very good". An additional 31 per cent are neutral, and five per cent consider the business climate to be "poor or very poor". The results align well with previous years' survey results, where a majority of companies perceived the business climate as good. Large-scale or professional services companies seem to perceive the US business climate as better than corresponding small or consumer-oriented companies, although data reliability is considerably lower for segmented analyses due to the relatively small sample size.

However, when excluding non-respondents, the respondents who perceived a "good or very good" US business climate declined in 2023 to 63 per cent compared to 2022 (70 per cent).

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



NOTE: The number of respondents for this question was 124. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in the US 2023.

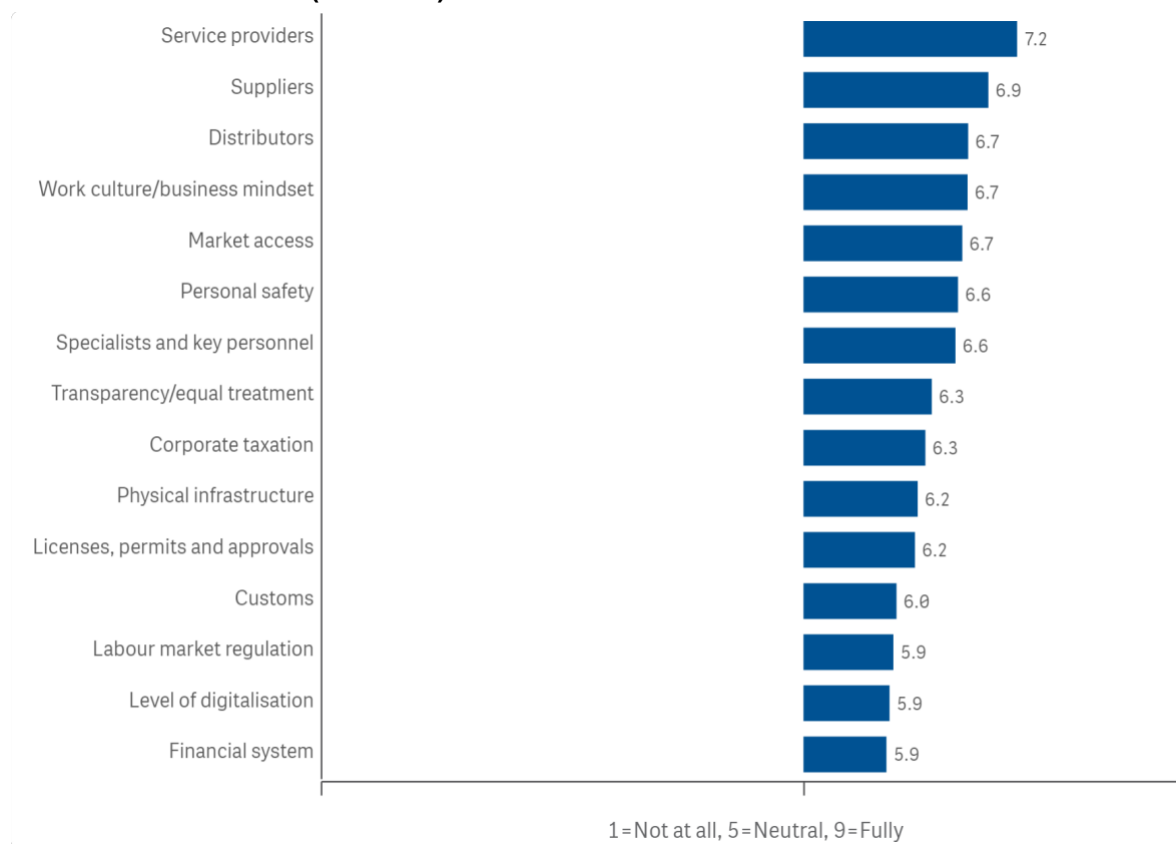
US market conditions meet respondent needs – financial system, digitalisation, and labour market regulations are the weakest points

Multiple conditions impact Swedish companies' success in the US. Among the 15 measured conditions, the overall sense among respondents is that all conditions to some extent meet their needs to conduct business in the country. The highest-ranked conditions are service providers, followed by suppliers, distributors, work culture and business mindset, and market access. A possible reason behind service providers being top-ranked is that the US market can be complex to enter and that various service providers are available to facilitate the process. Concerning the business mindset, US companies and investors generally prefer to do business with companies with a local presence, meaning that Swedish companies expanding to the US can benefit from having an American subsidiary and local employees. Once that is in place, US companies and investors are, in general, open to considering new business possibilities and partnerships.

The least favourable conditions are the financial system, level of digitalisation and labour market regulation, which is a change from the two previous surveys, where physical infrastructure was ranked the lowest by the respondents. One possible reason for the low ranking of the financial system is the increased difficulty in receiving US funding. The fundraising climate in the US has hardened significantly during the pandemic and in a post-pandemic environment, followed by an economic downturn and the rise of inflation. The amount of venture capital raised by start-ups in the US dropped by 55 per cent between the first quarter of 2022 and the first quarter of 2023.

A likely cause for the low ranking of digitalisation as a met condition for Swedish companies, is the lack of digitised government forms and systems compared to Sweden. According to the US Chamber of Commerce, the cost of using paper forms instead of digital services was \$117 billion in 2022. While daily tasks such as accounting are highly digitised in Sweden, paperwork still remains common in the US.

HOW WELL DO THE FOLLOWING CONDITIONS MEET THE NEEDS OF YOUR COMPANY IN THE US? (RATE 1-9)



NOTE: The number of respondents for this question was 124. "Don't know/Not applicable" responses are included but not shown in figure

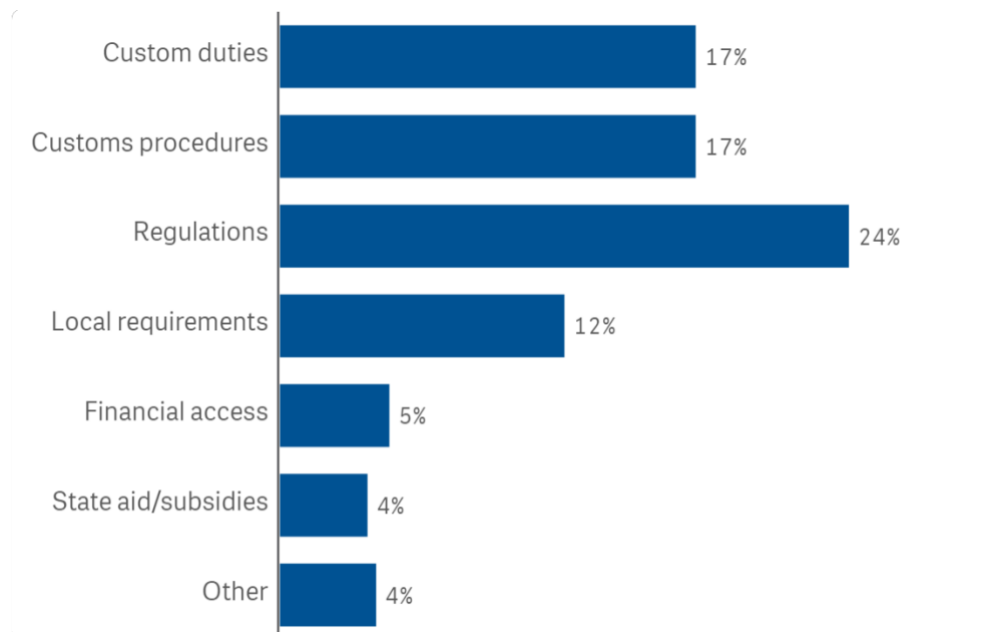
SOURCE: Business Climate Survey for Swedish Companies in the US 2023.

Regulations are the main trade barrier among respondents, followed by customs duties and procedures

Almost one-fourth of the respondents have encountered regulations as a trade barrier when acting in the US market, which makes it the largest barrier. As one of the more prominent regulations, The Food and Drug Administration controls some of the most common products ranging from food, drugs, and tobacco to cosmetics, medical and electrical devices. Being FDA compliant can be a complicated but vital process to be able to sell and expand in the US.

The second and third largest trade barriers for Swedish companies are customs duties and customs procedures. US customs are strict, and there is no free trade agreement between the US and the EU, as the latest attempt at reaching an agreement closed in 2016. However, in 2021 the regions initiated the Trade and Technology Council initiative (TTC), which among other things, serves as a forum to expand bilateral trade and investment between the two parties. It signifies that trade between the regions is important and needs facilitation. Within the Trade and Technology Council Initiative, the US and the EU have also agreed to support Ukraine by posing continuous sanctions towards Russia due to the ongoing war.

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



NOTE: The number of respondents for this question was 124.
SOURCE: Business Climate Survey for Swedish Companies in the US 2023.

Several new acts are signed into law, but their effects on Swedish companies vary

Since late 2021, three new prominent policies have been introduced in the US, which all have the potential to affect the US business climate, for foreign as well as local companies. The Creating Helpful Incentives to Produce Semiconductors and Science Act (CHIPS Act) was signed into law in August 2022 with the purpose of boosting competitiveness, innovation, and national security in the United States. An important part of the act is to catalyse investments in the capacity of domestic semiconductor manufacturing due to the semiconductor shortage that took off during the pandemic. The act also aims to increase the research and development in cutting-edge technologies such as AI and clean energy. In total, the act will invest \$280 billion for its purposes from 2022 until 2026.

Another noteworthy new policy is the Inflation Reduction Act (IRA), also signed into law in August 2022. Its purpose is to strengthen the United States' position as a global player in clean energy technology, manufacturing, and innovation by allocating an investment of \$370 billion. Like the CHIPS Act, the IRA is also encouraging domestic manufacturing capacity.

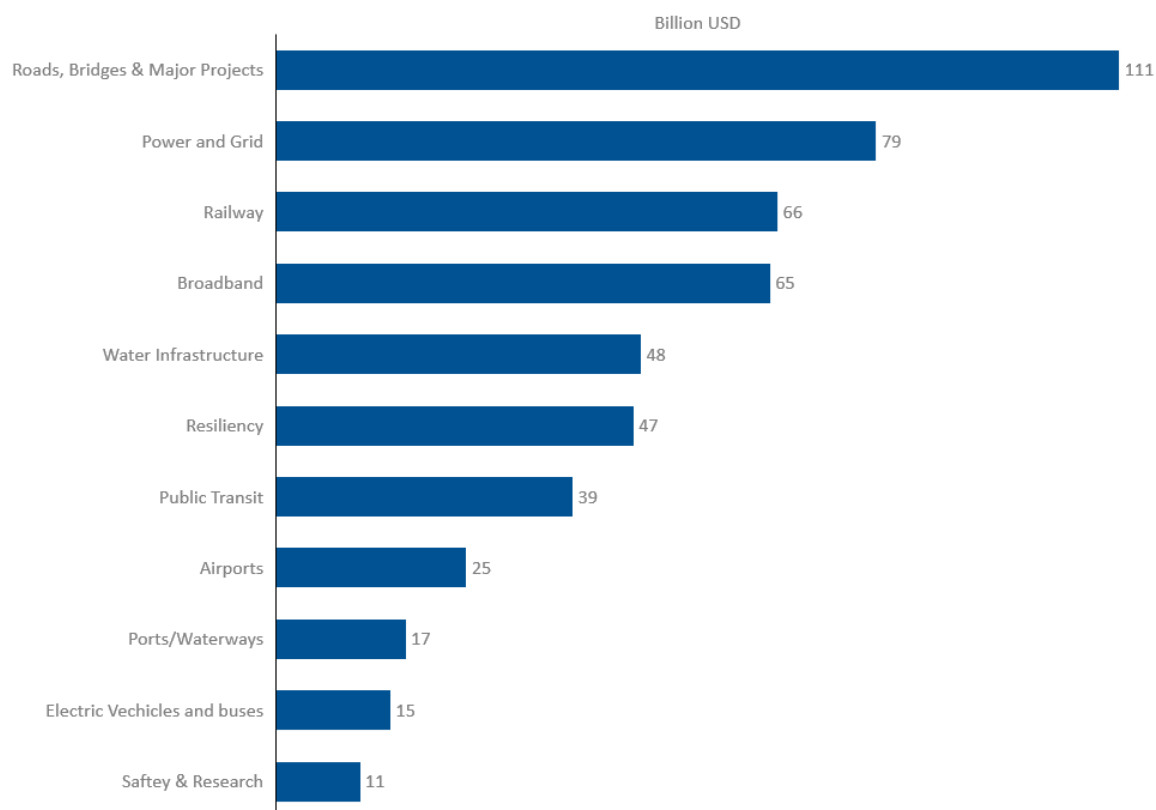
Both the CHIPS Act and the IRA are focused on promoting domestic manufacturing, which could have a negative impact on foreign companies' US operations. However, despite the introduction of these new policies, more than a third of the survey respondents are neither experiencing encouraging nor discouraging policy-related effects on their US operations. Only 18 per cent are experiencing discouraging effects, while 20 per cent are experiencing encouraging effects. An additional 25 per cent do not know what effect the policies will have. One possible explanation for the mixed responses is that the effects of the policies have not yet reached the Swedish companies to their full extent. A possible outcome of the domestic-focused policies is that it will be increasingly important for Swedish companies to establish manufacturing in the US as a way of contributing to an increased domestic capacity in the United States. For foreign firms without local manufacturing, monitoring of the IRA and other policies is necessary to mitigate risks and negative effects both short and long term.

The third act, signed into law in late 2021, is the Infrastructure Investment and Jobs Act (IIJA). The act will provide investments to address the needs of the US transportation and broadband networks, counting to \$1.2 trillion over a ten-year period, with \$550 billion being allocated in the first five years. The act includes several programs, such as the National Highway Performance Program, the Airports Terminal Program, The Charging and Fueling Infrastructure Grants and the Broadband Equity, Access and Deployment (BEAD) Program. More detailed, the investments will be allocated towards road- and bridge reparations, expanding the rail service across the country with a focus on high-speed rail, and building a nationwide network of charging stations for EVs to ease the transition to nonfuel vehicles. Furthermore, the act will invest \$5 bn in new school buses across the country, with 50 per cent being allocated toward electric buses, and invest \$11 bn in transportation safety to reduce the number of crashes in traffic (primarily targeting cyclists and pedestrians). The act does not only focus on investing in new initiatives to lower emissions – but also allocates \$21 bn for environmental remediation of past pollution with an effect on public health.

Approximately 92 per cent of the US population have access to the internet today, and the broadband service varies across the country due to the digitalisation of society and the need to have a reliable service. The IIJA act will target \$65 bn to enable high-speed broadband access to all households.

The intended effect of this act is to reframe the future of the US infrastructure and provide resources to address problems and needs on a local level to strengthen the national infrastructure.

INVESTMENT ALLOCATION OF THE INVESTMENT AND JOBS ACT (IIJA) FOR NEW FEDERAL SPENDING IN THE FIRST 5 YEARS

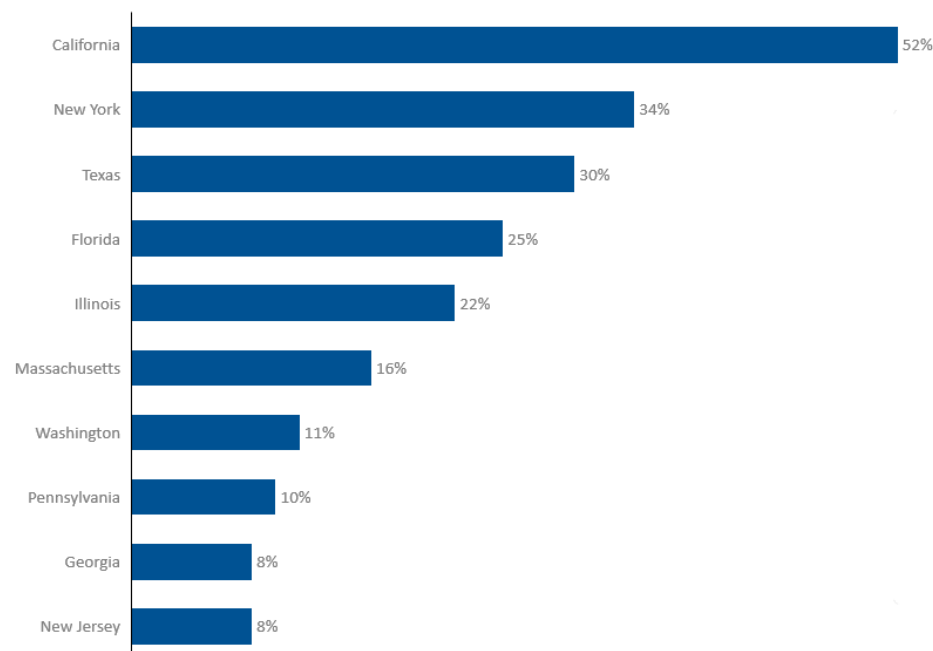


The largest states are the key focus for respondents to grow in the US, with California remaining the focus over time

The US is often seen as one market by companies looking into establishing in the market; however, it is important to remember the country is large, both in terms of population (more than 330 million) and in terms of land mass. Due to its size and its 50 states, the culture, the politics, and the way of doing business varies across the country, making it difficult to approach the market in the same way. Throughout the interviews for this year's survey, Swedish companies echo the need to adjust the offering depending on where they conduct business and that there is a need to focus on one part of the country at a time. Several companies choose to approach the market in different regions or states and focus their resources on high-potential areas as it would be resource-inefficient to try to go nationwide directly.

In this year's survey, 52 per cent indicated that California is a key state for business growth in the coming three years. New York was considered key by 34 per cent, followed by Texas (30 per cent), Florida (27 per cent), Illinois (22 per cent), and Massachusetts (16 per cent). The result goes very well in line with what we have seen historically for the Swedish companies established in the US market. The focus is primarily on the most populated states and states with strong economies and favourable business landscapes for foreign companies.

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



▶ The US should not be seen as one, homogenous market, as the culture and business climate differs across the country

HOW SWEDISH COMPANIES SUCCEED IN THE US

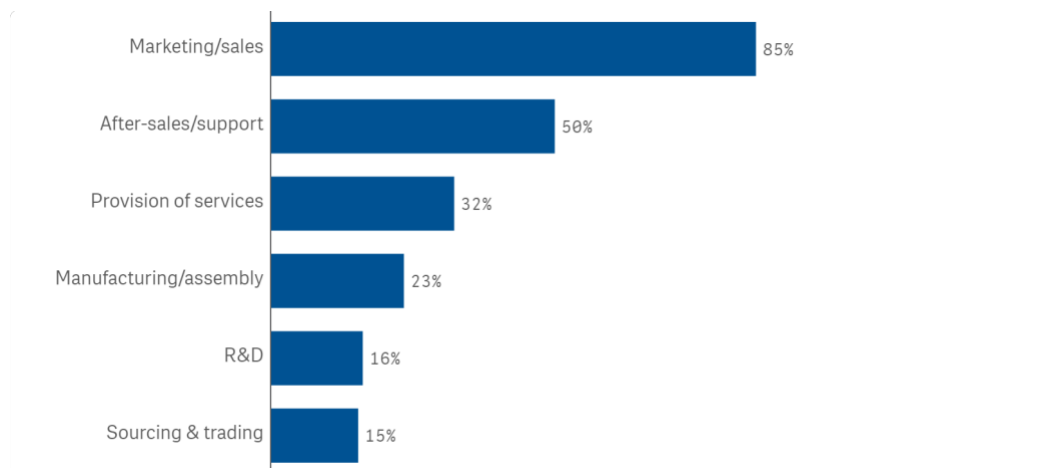
The US operations of Swedish companies are mainly targeting marketing and sales activities

Most survey respondents, 85 per cent, carry out marketing and sales operations in the US – unsurprisingly, given the size and affluence of the market. Another 50 per cent perform after-sales and support, while 32 per cent offer services. Of the respondents, 23 per cent have US-based manufacturing.

In addition to general business operations such as marketing and support, 16 per cent of respondents carry out research and development (R&D) in the US. With the presence of well-known universities, a network of national laboratories, and industry-led research, the market is a good location for R&D presence.

The priority of local presence of manufacturing was mentioned already in last year's report, with the disrupted supply chains, industrial policies and a rebounded demand from the pandemic creating a need for onshore manufacturing. We mentioned an increased interest in near-shoring manufacturing in Mexico from Swedish companies – however, the actual effects of the intentions were somewhat unclear. Throughout this year's interviews, we asked about the supply chains and relocating manufacturing to the US, and the interest was lower for allocating manufacturing in the US as the supply chains and freight opportunities are almost back to pre-pandemic standards. This result could also be affected by the nature of the companies responding to the survey.

OPERATIONS OF SWEDISH FIRMS IN THE MARKET



NOTE: The number of respondents for this question was 124. "Don't know/Not applicable" responses are included but not shown in figure.

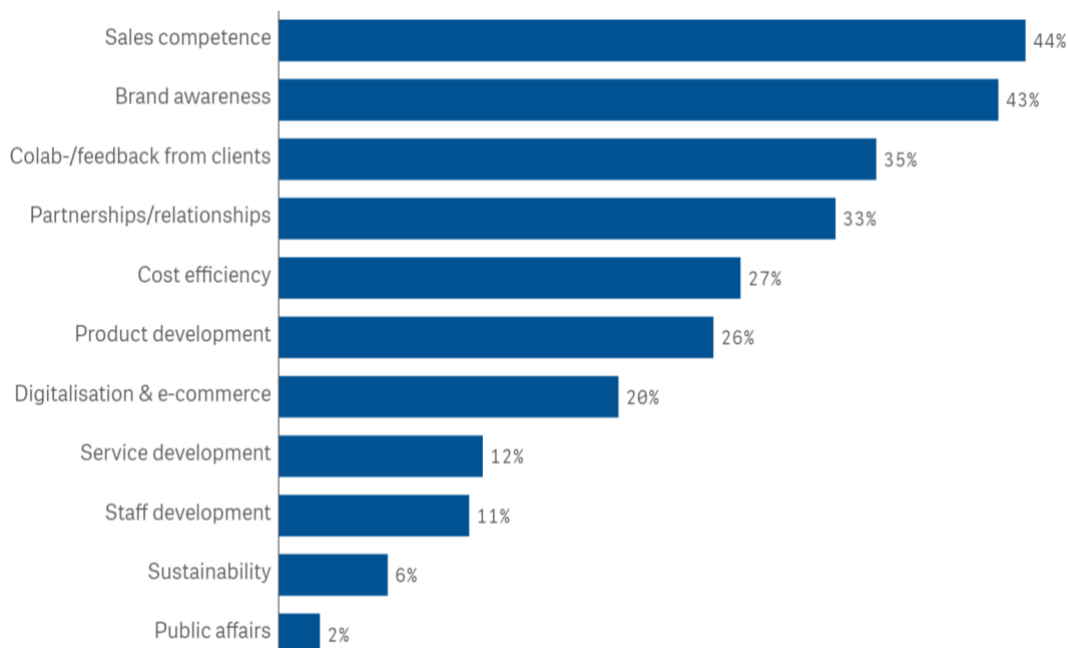
SOURCE: Business Climate Survey for Swedish Companies in the US 2023.

Sales competence and market awareness are key aspects to stay competitive in the US market

Respondents indicate that sales competence and brand awareness are the two most important areas for maintaining competitiveness in the US market – an expected outcome of having US sales-oriented operations. These areas are closely followed by several others, such as collaboration and client feedback, as well as partnerships and relations.

People in management positions for Swedish companies in the US stress the importance of understanding the local market and culture in order to be successful in the market. Having a strong sales competence implicitly means understanding and tailoring your offering to the client.

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



NOTE: The number of respondents for this question was 124. "Don't know/Not applicable" responses are included but not shown in figure.

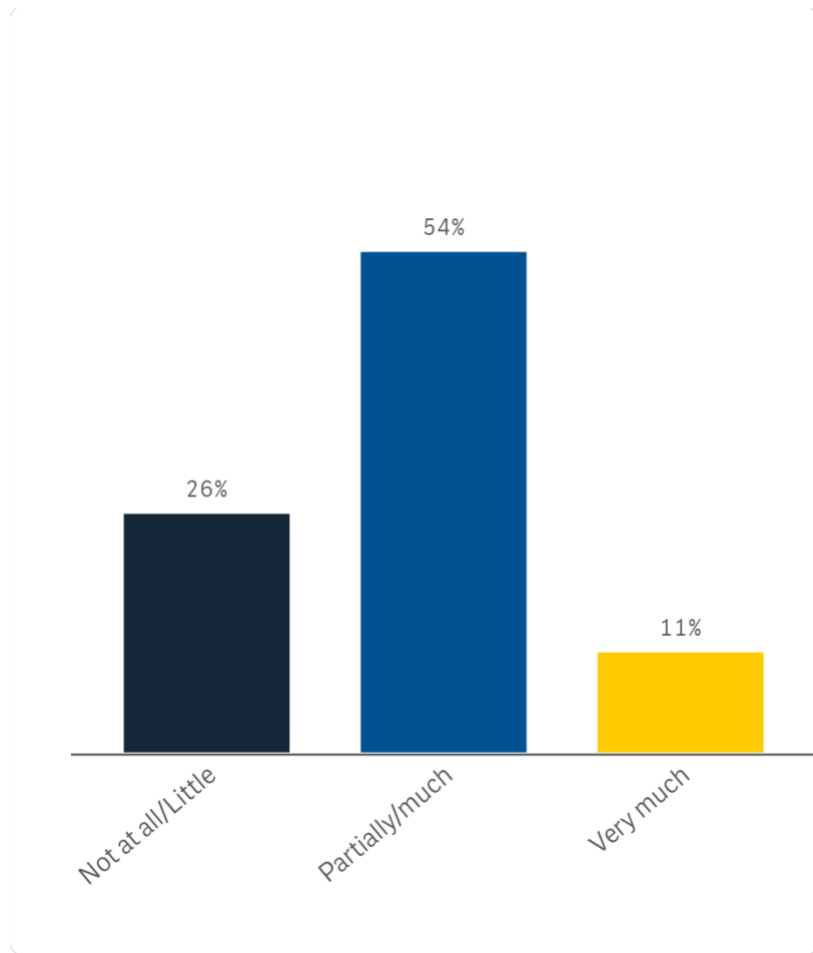
SOURCE: Business Climate Survey for Swedish Companies in the US 2023.

The Swedish brand remains important, but its value decreases over time

A noteworthy development between the two latest Business Climate Surveys relates to Sweden's brand appeal and how it contributes to the positioning of Swedish companies in the US. Most respondents still believe being explicitly Swedish contributes to their US business – with 54 per cent claiming it contributes partially or much, 11 per cent claiming it contributes very much, and 26 per cent saying that it contributes little or not at all. However, when comparing to the previous year's answers, the significance of the Swedish brand has decreased – especially with a growth of the "partially" segment.

Throughout the interviews for this report, several companies mention the fact that the strength of the Swedish brand has changed over time. The Swedish brand lays a good foundation, but today, additional steps are needed to position one’s company and leverage what the Swedish brand typically implies: quality and design. Swedish companies in the US still choose to leverage the brand attribute, while ensuring that the brand aspects are adapted to the industry in question and specific customer segments.

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



NOTE: The number of respondents for this question was 124. “Don’t know/Not applicable” responses are included but not shown in figure.

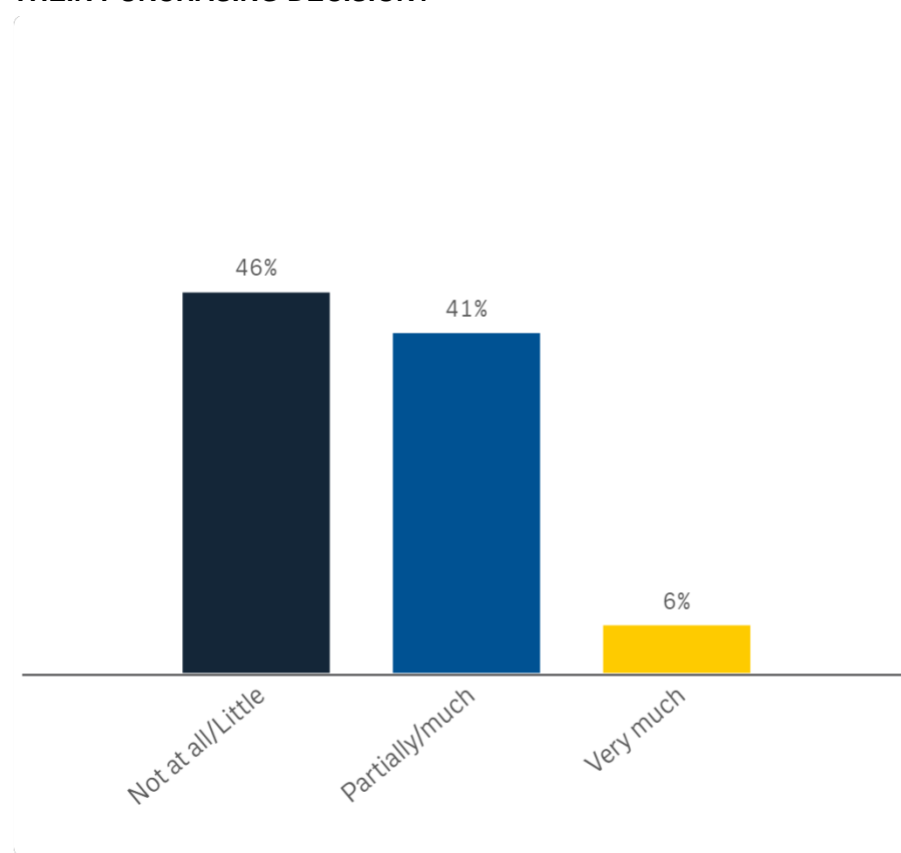
SOURCE: Business Climate Survey for Swedish Companies in the US 2023.

ACTING SUSTAINABLY

The environmental aspects are not the key driver for purchase decisions for respondents' customers in the US

Within Swedish companies responding to the survey in the US, six per cent of respondents indicate that the environmental aspects affect the purchasing decisions very much in their industry, while 41 per cent of the respondents indicate it affect partially or much and 46 per cent indicated it has little or no effect on the purchasing decision at all. However, when talking to Swedish companies with a local presence in the market, the lack of consideration of environmental aspects from their clients shines through. The companies echo that environmental aspects are not a competitive advantage in the same way as they are in the European market, especially if there is not a clear industry-driven focus on sustainability.

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



NOTE: The number of respondents for this question was 124. Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in the US 2023.

The US is actively transforming to lower carbon emissions with large investments through IRA, primarily within clean energy

The United States emits 14 per cent of the world's CO₂, which makes it the second largest emitter after China. According to the US Environmental Protection Agency, the largest greenhouse gas emitting sectors are transportation, electric power production, and industry. Under the Biden-Harris Administration, several federal incentives have been presented since 2021 to enhance and increase the focus on environmental sustainability in the US, and the government's focus on sustainability has significantly increased. For example, the Biden-Harris Administration launched the Federal Sustainability Plan in late 2021, in which the nation set a goal of achieving 100 per cent carbon pollution-free electricity by 2035. Other goals are to reduce CO₂ emissions by 50 per cent by 2030 compared to the levels of 2005 and to reach net-zero economy-wide greenhouse gas emissions by 2050.

The effects under the Inflation Reduction Act are estimated to reduce US emissions by 31 – 44 per cent by 2030, which puts the nationwide emission targets within reach. The act allocates approximately \$370 billion to climate and energy, of which 40 per cent are direct investments, and the remaining 60 per cent are tax incentives. The targeted sectors are, among others, clean transportation, clean electricity, forest service, air pollution programs and smart buildings. Furthermore, the Infrastructure and Investment Jobs Act is within its purpose of improving the infrastructure across the US, including \$7.5 billion in funding for a nationwide network of electric vehicle charging stations. In addition, \$65 billion is assigned for an update of power grids and to provide clean energy.

In the IRA and IIJA, the administration allocated \$20+ billion for hydrogen, indicating this is a priority for the US. A few examples of what the budget will be allocated towards are clean hydrogen tax credits, expansion of H₂ hubs and demos and a clean H₂ Electrolysis Program. With an identified need for domestic production, the Biden administration has set ambitious policies and investments for a green energy transition with hydrogen as a key resource. For Swedish companies, the focus on hydrogen opens up new opportunities to promote Swedish technology within, e.g., power solutions, e-fuels and steel production.

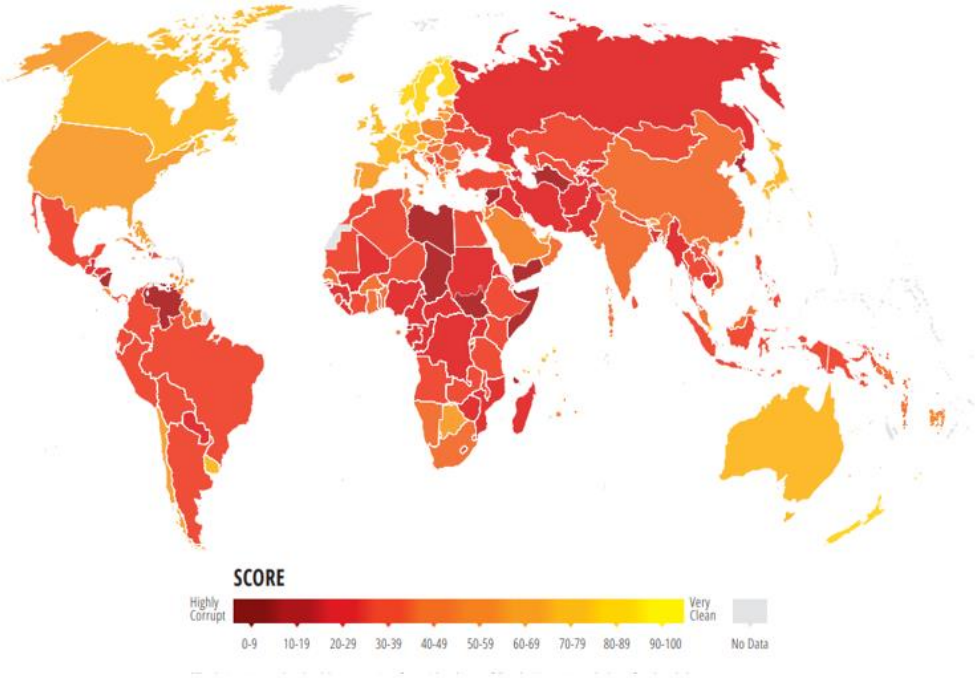
Not only has the government increased their sustainability focus, but in 2022, North American investors were the largest contributors in terms of clean energy investments, representing 57 per cent of the global investments within the sector.

The increased focus on clean energy in the US on both a public and private level can enhance the expansion opportunities for sustainability-oriented Swedish companies in the US. Despite the clear direction of green initiatives in the US, large challenges remain in order to reach the nation's environmental targets; Swedish innovations can be an important enabler in reaching the ambitious targets.

The US market is considered a low-risk market in terms of corruption and human rights abuses

The respondents' experience of exceedingly low levels of domestic corruption and human rights abuses in their dealings with US public bodies, private counterparts, and internal counterparts indicate the US is perceived as a low-risk market in terms of corruption and human rights abuses. Other data points that support this hypothesis is the Transparency International's corruption perception index, where the US ranks among the countries least plagued by such issues – although not entirely absent of these. Since 2021, the US has increased its scoring by +2 units, ranking the country as number 24 in the world compared to Sweden, which is ranked number 5 (-2 units).

CORRUPTION PERCEPTION INDEX 2022



SOURCE: Transparency International.

TEAM SWEDEN US CONTRIBUTORS

BUSINESS SWEDEN USA

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

SWEDISH AMERICAN CHAMBERS OF COMMERCE USA

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

SWEDISH AMERICAN CHAMBERS OF COMMERCE, NEW YORK (SACCNYS)

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

EMBASSY OF SWEDEN

The Embassy of Sweden in Washington, D.C., is one of Sweden's largest diplomatic missions in the world and serves as the official link between Sweden and the United States. The purpose of Sweden's trade and promotion policy is to facilitate trade and investment and to further Sweden's economic interests as well as the image of Sweden abroad. The Swedish Embassy is located at

the House of Sweden, a flagship building for Swedish public diplomacy, on the Potomac River in Washington, D.C. In addition to the Embassy, there are approximately 30 Swedish Consulates located throughout the US.

CONSULATE GENERAL OF SWEDEN IN NEW YORK

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



Sweden
Sverige



Embassy of Sweden
Washington



Consulate General of Sweden
New York