

IMPACTS OF COVID-19

HOW SWEDISH COMPANIES WITH U.S. OPERATIONS ARE
NAVIGATING A CHANGING BUSINESS LANDSCAPE

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REPORT FROM TEAM SWEDEN USA



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FOREWORD

The U.S. and Sweden have a long history of strong relations, with the U.S. being a key market for many Swedish companies. The U.S. is Sweden's largest export market outside of Europe, with the total annual export of goods and services valued at over SEK 190 billion (USD 22 billion) in 2019. In addition, the U.S. is the top destination for Swedish foreign direct investment making Sweden the 13th overall largest investor in the U.S. There are more than 1,600 Swedish companies active in the market and the U.S. accounts for approximately 25 percent of Swedish companies' global revenue. Due to the importance of the U.S. market to Sweden, it is essential to understand how Swedish companies' operations in the U.S. are being impacted by the novel coronavirus, COVID-19, that continues to wreak havoc on both sides of the Atlantic.

Prior to the pandemic, several aspects of the U.S. economy were booming with strong growth, record-low unemployment, and stock markets were rising. However, as of mid-March the virus began to derail the economy and upend lives. Lockdown measures shuttered many businesses, an unprecedented number of Americans lost their jobs, millions were forced to work from home, and drastically changed health and safety requirements. Swedish companies operating in the U.S. have experienced negative impacts on their businesses, being particularly impacted by travel restrictions and decrease in revenue. To mitigate the negative impacts, a significant part of the Swedish companies' U.S. entities applied for funding and stimulus with most the common funding coming from the federal government's Payroll Protection Program (PPP). The companies surveyed expect negative impacts to continue, both in the next three months and in 12 months' time, however the anticipated negative impacts are less severe showing some optimism in the market.

We would like to extend our most sincere gratitude to the company participants and survey respondents which have contributed to this report. Team Sweden USA (including the Embassy of Sweden, Business Sweden USA, the Swedish-American Chambers of Commerce and the Consulate General of Sweden in New York) strives to assist Swedish companies and citizens in the local market by continuing to monitor the development of the situation and business impact, while providing ongoing support as the circumstances continue to change. The purpose of this report is to increase the understanding of Swedish companies' U.S. operations and the challenges faced due to the ongoing crisis. In addition, it will provide Team Sweden USA with valuable insights into how best to assist Swedish companies both in the near future and more long-term.



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EXECUTIVE SUMMARY

COVID-19 IMPACTS

In the U.S., 85 percent of the surveyed companies have experienced some degree of negative impact due to COVID-19. Companies of all sizes, all levels of maturity, in all industries across every geographical region observed negative impacts. The industries impacted most negatively were automotive and manufacturing, and retail and food. This is likely due to the lockdown measures that limited these industries' ability to operate. Companies that had more recently established in the U.S. were observed to also be more severely negatively impacted than companies that had been established longer in the market. Overall, a large proportion of Swedish companies' U.S. operations have been negatively impacted in the areas of revenue and travel restrictions.

Over half of surveyed Swedish companies in the U.S. have mitigated the impacts of COVID-19 so far by altering their sales and production plans for 2020 (57%), followed by postponing planned investments (48%), and reducing the number of employees or the number of hours worked by employees (45%). The companies surveyed could select multiple answers, which revealed most companies are taking a multifaceted approach to mitigate the risks experienced up to now. In addition, companies also mentioned, that where possible, they had allowed their employees in the U.S. to work from home full time. Similar trends were observed when respondents were asked about their future plans to mitigate the impact of COVID-19 on their businesses. There were noticeably less responses to the various question options for future plans, signalling that companies took more mitigative measures up front, in the hope that less future action will need to be taken.

Company respondents expected the negative impacts to continue for three months but expect impacts to be moderate as opposed to severe, signalling less pessimism when compared to the responses regarding impacts that had already occurred. Respondents within automotive and manufacturing, and retail and food have particularly negative predictions while respondents from healthcare and clean tech have the most optimistic responses, although the majority of responses still showed an overall negative trend. In one year, respondents still expect to be negatively impacted.

STIMULUS & FUNDING

Approximately half of the Swedish companies surveyed applied for U.S. funding due to COVID-19. Of the surveyed companies that applied for funding, 80 percent applied for the PPP under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and of those companies, four out of five were approved. Small and medium sized companies were more likely to have applied for funding compared to large companies, which most likely is attributable to the eligibility requirements of U.S. stimulus that has been aimed at helping smaller companies.

However, 46 percent of respondents stated that they did not apply for any stimulus or incentives for businesses impacted by COVID-19 in the U.S. The most common reasons for not applying to receive funding was that the company felt they did not need it, they were ineligible (such as being too large), or they were not aware that funding was available to them.

TRADE POLICY & SUPPLY CHAIN

Most Swedish respondents stated that trade policy restrictions and tariffs imposed by the current Trump administration have had no impact on their business so far. Looking ahead, Swedish companies with U.S. operations expect that post-pandemic, U.S. trade policies will become more protectionist.

Although there have been changes in trade policy enacted by the current administration and an increased difficulty to conduct global business due to the pandemic, the majority of Swedish companies surveyed with U.S. operations do not have any plans to restructure their manufacturing setup or supplier base at this time. It may be that they are taking a “wait and see” approach, which was also observed in a survey conducted in 2018 during the initial stages of trade policy change in the U.S.

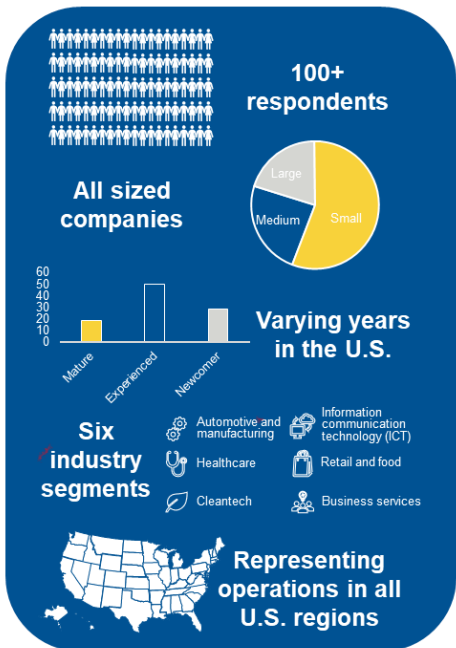
RESPONDENT PROFILE

Over 100 management level executive respondents from Swedish companies in the U.S. responded to the survey. Companies were defined as “Swedish” if their headquarter resides in Sweden and there is also a local U.S. subsidiary attached to the AB. The breakdown of respondents by company size was:

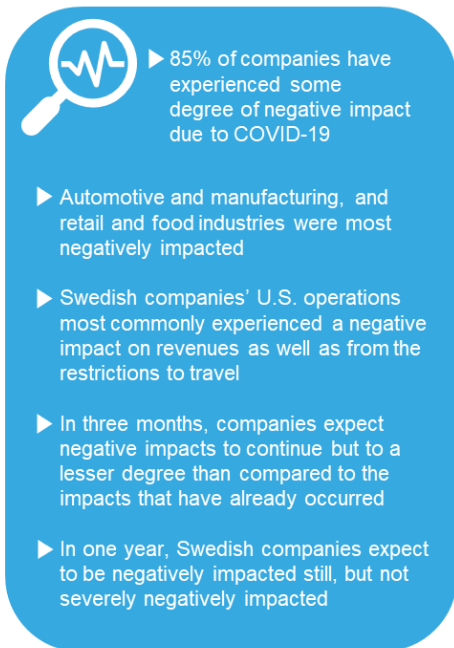
- 56% - small with 49 employees or fewer globally
- 24% - medium with 50 to 499 employees globally, and
- 20% - large with 500 or more employees globally.

The companies surveyed had varying years’ experience in the U.S. market ranging from less than a year to being established more than 20 years. A diverse range of business areas are represented and are grouped into six industry categories: automotive and manufacturing, information communication technologies, cleantech, retail and food, business services and other, and healthcare. Furthermore, business operations across all U.S. regions (i.e. Northeast, Midwest, West, and South) are represented including companies that operate nationwide.

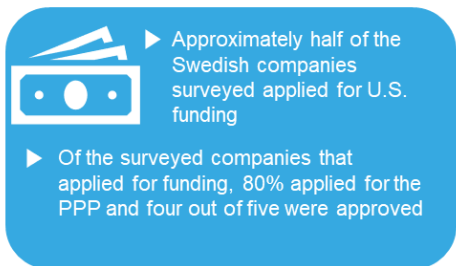
RESPONDENT PROFILE



COVID-19 IMPACTS



STIMULUS & FUNDING



TRADE POLICY & SUPPLY CHAIN



ABOUT THE SURVEY

A DIVERSE RESPONDENT GROUP

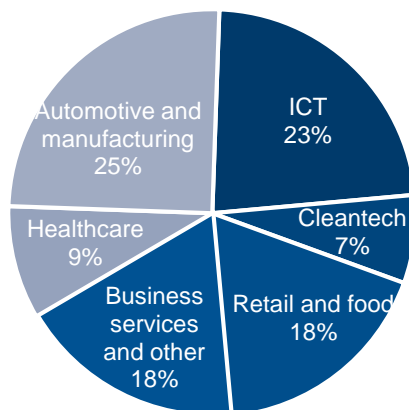
The U.S. has been hit hard by COVID-19, which prompted Team Sweden USA to carry out a survey to better understand how the current situation is impacting Swedish companies with U.S. operations.

The flash survey was conducted in June 2020 and aimed to understand how Swedish companies with U.S. operations are adjusting and responding to COVID-19 impacts, considering the measures taken to curb the spread of the virus, and to mitigate the economic and social consequences of the crisis. Companies categorized as Swedish refers to companies with their primary headquarters in Sweden and with a local U.S. entity.

Over 100 management level executives across all U.S. regions from 18 industries took the survey. The web-based survey contained 22 questions and included open-ended questions for further feedback and insights.

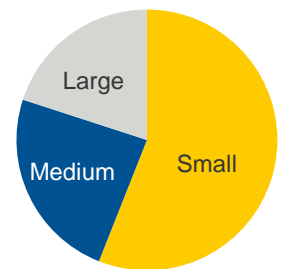
This report is presented in three main sections, beginning with an overall look at the impact COVID-19 has had on Swedish businesses in the U.S. The impact is further analyzed by looking into company size, industry, time established in the U.S., and geographical reach. Second, the report covers Swedish companies' ability to receive stimulus and funding provided to companies in the U.S. in response to COVID-19. Lastly, the possible movement toward more protectionist measures and supply chain modifications is explored.

INDUSTRIES REPRESENTED



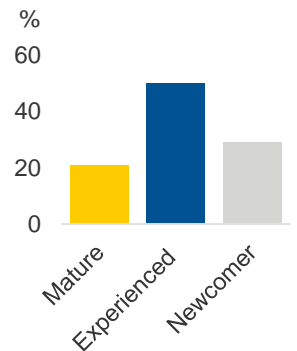
SOURCE: Impact of COVID-19 on Swedish companies in the U.S. Survey: June 2020.

SIZE OF COMPANIES



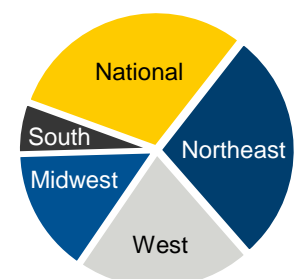
Global employees:
Large >500
Medium 50-499
Small 0-49

YEARS IN THE US



Company presence
Mature - 20+ years
Experienced - 3-19 years
Newcomer - 3 years or less

GEOGRAPHICAL REACH



Company presence:
30% - National
28% - Northeast
21% - West
15% - Midwest
6% - South

Swedish companies conveyed via the survey that they carried out a variety of activities locally and could select multiple answers to express all the operations performed in the U.S. The companies surveyed perform the following operations:

OPERATIONS CARRIED OUT IN THE U.S.

(Companies could select more than one answer)



SOURCE: Impact of COVID-19 on Swedish companies in the U.S. Survey (June 2020)

*Other includes cultural activities, educational service, exhibitions related activities, and media

This report aims to provide a picture of how Swedish companies' U.S. operations have been impacted due to the pandemic while also exploring companies' outlook for the future.

COVID-19 IMPACT

AN ONGOING CRISIS

The U.S. has been one of the hardest hit countries in the world by COVID-19. At the time of writing, the U.S. was facing a widening outbreak, which had already infected millions of people and caused thousands of deaths across all 50 states.

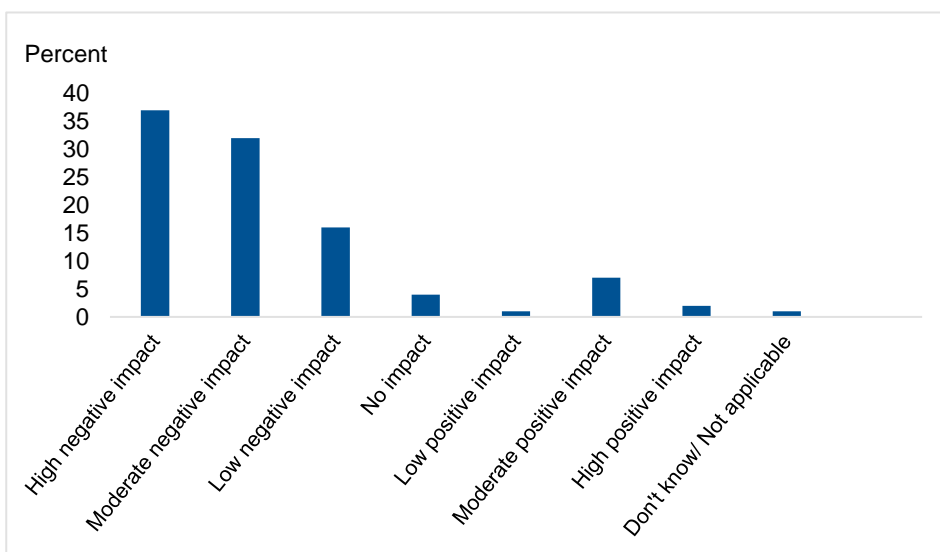
In response to the crisis, a variety of measures have been implemented. These have varied as many measures were issued at the state level as opposed to the national. Among these were international travel restrictions (including toward countries in the Schengen Area), closure of non-essential businesses, closure of schools, social distancing, and declarations of state of emergency across the nation.

In the first quarter of 2020, the U.S. economy contracted at an annualized rate of five percent. As of June 2020, the unemployment rate was at 11.1 percent, 7.4 percent higher than June 2019. Fiscal measures amounting to nearly 14 percent of U.S. GDP were implemented to ameliorate the impacts of COVID-19 on the U.S. economy. Many of the Swedish companies and other foreign companies operating in the U.S. met the criteria for the stimulus measures and could apply.

Just as U.S. businesses were adversely impacted by the pandemic, Swedish businesses with U.S. operations also experienced negative impacts. Swedish companies confirmed via the survey that they anticipate their U.S. operations to be impacted negatively in the coming months but expressed more optimism for the coming year. It is the hope of Swedish businesses in the U.S. to weather the storm and resume making a profit on their U.S. operations by 2021.

► **Fiscal measures amounting to 14% of US GDP were implemented to ameliorate the impacts of COVID-19 on the US economy**

HOW MUCH HAS COVID-19 ALREADY IMPACTED YOUR BUSINESS IN THE U.S.?

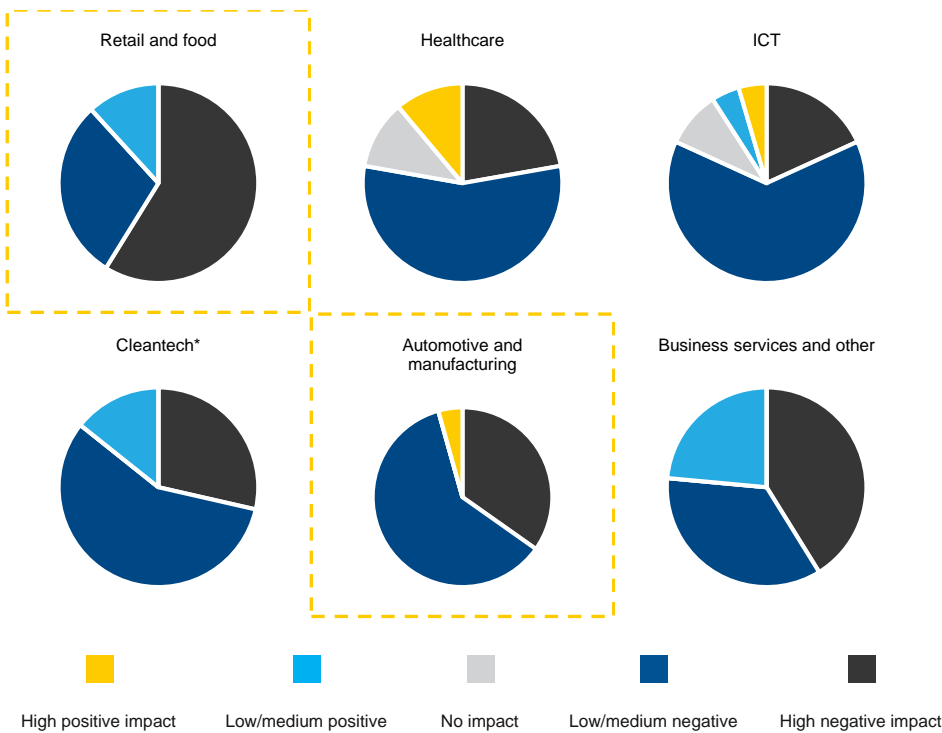


SOURCE: Impact of COVID-19 on Swedish companies in the U.S. Survey: June 2020.

The survey revealed that 85 percent of respondents had been impacted negatively to some degree by COVID-19, with 37 percent of respondents reporting high negative impact. Negative impact was observed across all sizes of companies, all maturity levels, all regions as well as all industries. Lockdown measures impacted the ability of companies to function normally with many companies having to reduce capacities, work remotely or shut down entirely. Additionally, the lockdowns, fear of contracting the virus and job losses have impacted consumer spending habits, further contributing to the negative trend.

The study also revealed that recently established companies had been more severely impacted than more experienced and mature companies, with almost half of the newcomers encountering a high negative impact from the COVID-19 outbreak. It is likely these newcomers have less resources than longer established companies and therefore felt the most severe negative impact. The negative impact is however widely apparent for all levels of company maturity. The group with the most positive responses was experienced companies, with around 13 percent seeing positive impacts to their businesses from the consequences of the COVID-19 outbreak, both at the time of the survey as well as forecasting for the coming three months.

IMPACTS OF COVID-19 ON SWEDISH COMPANIES' U.S. OPERATIONS WITHIN SPECIFIC INDUSTRIES



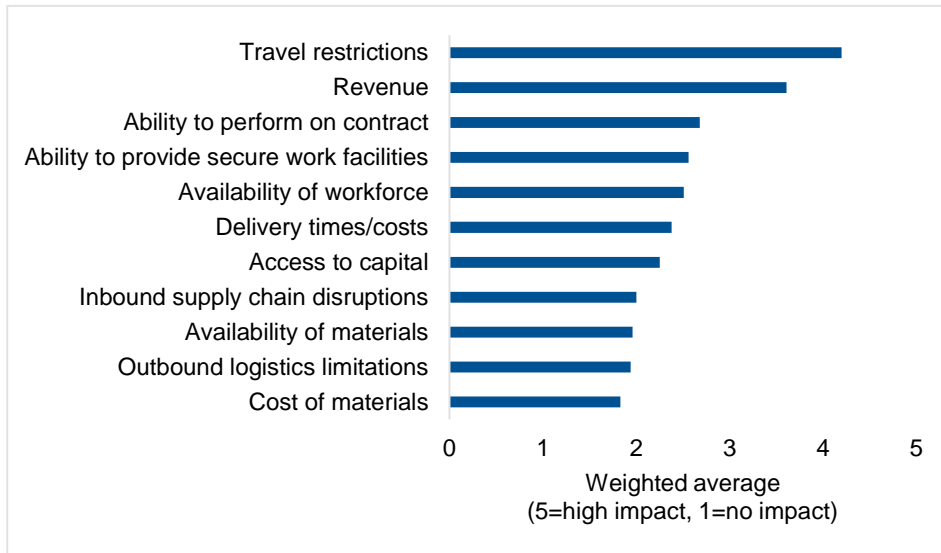
SOURCE: Impact of COVID-19 on Swedish companies in the U.S. Survey: June 2020.

The retail and food industry and the automotive and manufacturing industries experienced the greatest negative impact in terms of combining low, medium and high negative responses. Similar trends were seen across these types of U.S. businesses. It is likely this trend is in partly due to lockdown measures observed during this time of the crisis, which limited these establishments to remain open or operate at full capacity. Over 82 percent of respondents within retail and 87 percent of respondents within automotive and manufacturing experienced high to moderate negative impacts on their U.S. businesses.

*The Cleantech category received a low number of respondents and therefore may not be reflective of the situation

WHAT IMPACT HAS COVID-19 HAD ON YOUR U.S. BUSINESS?

(Respondents answered all options on a scale of 1=no impact to 5=high impact)



SOURCE: Impact of COVID-19 on Swedish companies in the U.S. Survey: June 2020

Swedish companies' U.S. operations were impacted the strongest by the travel restrictions the U.S. placed on EU countries, including Sweden, back in mid-March. This trend was observed among all companies regardless of their size, time established in the U.S., regions of operations, and industries.

Small sized companies and newcomers were particularly affected, with 70 percent of newcomer respondents stating that travel restrictions had high impacted on their businesses, compared to 46 percent and 60 percent for experienced and mature companies respectively. The companies operating nationwide have been slightly less affected than companies in each individual region, possibly due to a tendency of these companies being larger and carrying out more business in the country in general, and hence having less reliance on international travel to continue operations.

Revenue is the second most impactful aspect for Swedish companies. More than one out of three respondents in all regions experienced high impact from revenue disruptions due to the ongoing crisis. Newcomers and smaller companies are again most heavily affected.

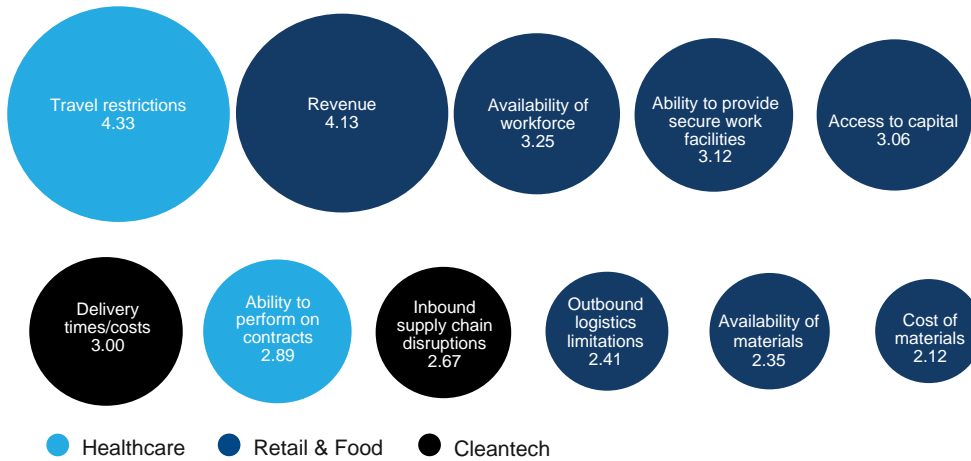
▶ **Travel restrictions have had the greatest negative impact on Swedish companies in the US**

“ We have stopped all travel, cancelled events and business trips, allowed all employees to work from home, and moved all meetings to video. ”

- Medium-sized, retail and food company

INDUSTRIES THAT SCORED HIGHEST IN TERMS OF IMPACT PER TOPIC

(Weighted average for the specific industry where 1=no impact to 5=high impact)



SOURCE: Impact of COVID-19 on Swedish companies in the U.S. Survey: June 2020.

Companies in the retail and food industry have been more heavily impacted than other industries across most surveyed topics. The impact is highest for retail and food in the areas of revenue, access to capital, availability of workforce, ability to provide and/or access secure work facilities, outbound logistics limitations, availability of materials, and cost of materials. Travel restrictions and ability to perform on contracts have most severely impacted with the healthcare industry, while delivery times/costs and inbound supply chain disruptions have been the major disruptor for the cleantech industry.

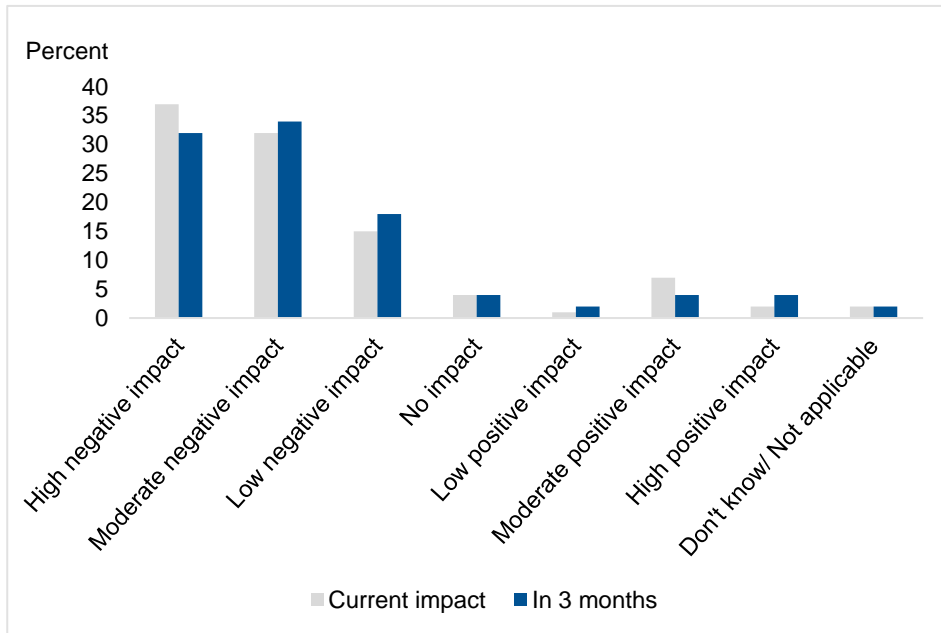
LONG-TERM VIEW LESS NEGATIVE

While the overall outlook for Swedish companies' U.S. operations was negative for the coming three months at 84 percent overall, 34 percent of respondents expected to have moderate negative impacts as opposed to 32 percent expecting high negative impacts for this time frame. There is a visible trend that Swedish companies are slightly less pessimistic about their U.S. operations in the coming three months when compared to the impacts that have already occurred. This demonstrates that Swedish companies anticipate difficult times ahead, but do not foresee the high negative impact continuing from Q1 and Q2.

“ We don't expect to make up for what we have already lost in the last months but expect to be less negatively impacted going forward. The measures our company has taken should prepare us for the coming months. ”

- Large-sized, automotive and manufacturing company

HOW MUCH DO YOU EXPECT COVID-19 WILL IMPACT YOUR BUSINESS IN THE U.S. IN THE NEXT 3 MONTHS?



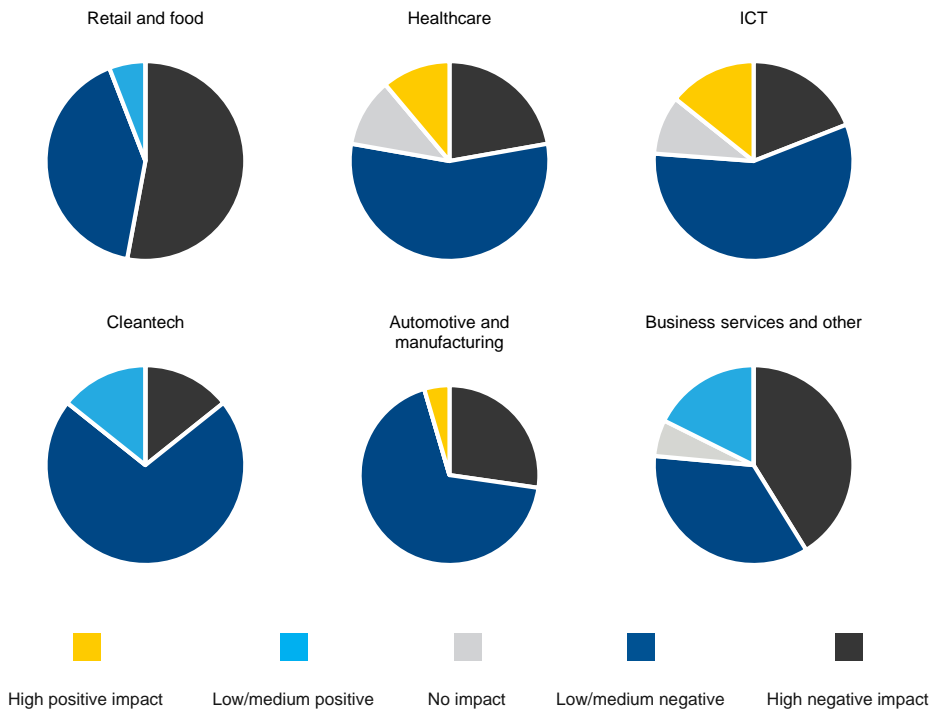
SOURCE: Impact of COVID-19 on Swedish companies in the U.S. Survey: June 2020

The majority of medium and large companies expected to be moderately negatively impacted in the coming three months while the majority of small companies anticipate continuing to experience a high negative impact. This is despite smaller companies turning to financing options in the U.S., such as grants and loans, at a higher rate than both medium and large sized companies.

Regardless of time established in the U.S., all groups are overall predicting negative impact in the coming three months. Almost 90 percent of responding newcomers believe the negative impact will still be likely. The difference in impact between the time of the study and the next three months is shown as a small shift towards moderate and low negative impact, but high negative impact is still the most common response for newcomers. For experienced and mature companies, the most common response is that their businesses will be moderately negative impacted in three months.

Geographically, the only respondents experiencing high positive impact represent companies with nationwide operations. This is true for both impact at the time of the survey and in three months' time. This may be due to nationwide companies' being larger in size with more resources and their ability to focus on regions less impacted by the virus, as COVID-19 hotspots have shifted around the U.S. during the pandemic. High negative impact is most prevalent for companies operating in the Midwest followed by the Northeast regions, both at the time of the survey and forecasted in a few months' time.

FORECASTED IMPACT OF COVID-19 ON SWEDISH COMPANIES' U.S. OPERATIONS WITHIN SPECIFIC INDUSTRIES



SOURCE: Impact of COVID-19 on Swedish companies in the U.S. Survey: June 2020

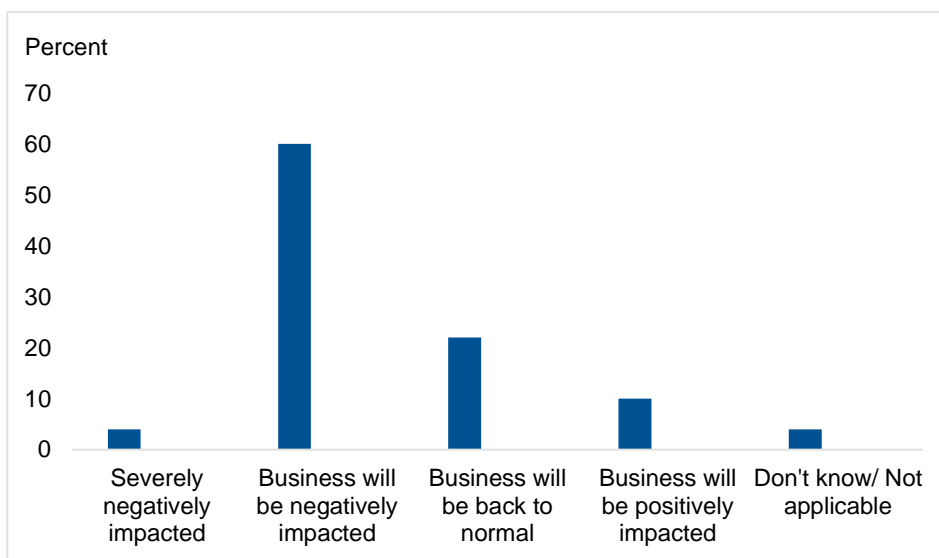
Even though most industries forecast a slight decrease in negative impact in three months' time, most respondents from all industries remain pessimistic. Respondents within automotive and manufacturing, and retail and food have particularly negative predictions, a pattern which largely remains from the current impact. Nearly 87 percent of respondents within automotive and manufacturing and over 82 percent of retail and food respondents predicted either high negative impacts or medium negative impacts on business in the next three months. In contrast only 36 percent of respondents within the ICT sector answered high or medium negative impacts on business. It is important to note that 14 percent of respondents from ICT industry expect high positive impacts. Parts of the ICT sector have flourished as the demand for their digital solutions has increased to facilitate a rapid rise in the number of people working from home and utilizing digital services during lockdown. Additionally, 11 percent of healthcare companies anticipate having a high positive impact in the next three months, which could be linked to the increase need for medical solutions and supplies such as personal protective equipment (PPE), vaccine development, health equipment, and other hospital needs.

NEGATIVE IMPACT TREND SEEN FOR 12 MONTH PROJECTIONS

When looking at the next 12 months, 64 percent of companies surveyed predict to be negatively impacted by the pandemic to some degree. Only four percent expect to be severely negatively impacted and 60 percent expect negative impact. While 22 percent predict their business will be back to normal only 10 percent believe their business will be positively impacted. It is evident that the negative impact is not a short-term trend and the road to recovery is expected to take multiple months for Swedish companies' U.S. operations.

HOW DO YOU EXPECT COVID-19 WILL IMPACT YOUR BUSINESS IN THE U.S. IN THE NEXT 12 MONTHS?

▶ **Negative impact expected for the next year, but businesses do not expect to be severely negatively impacted**



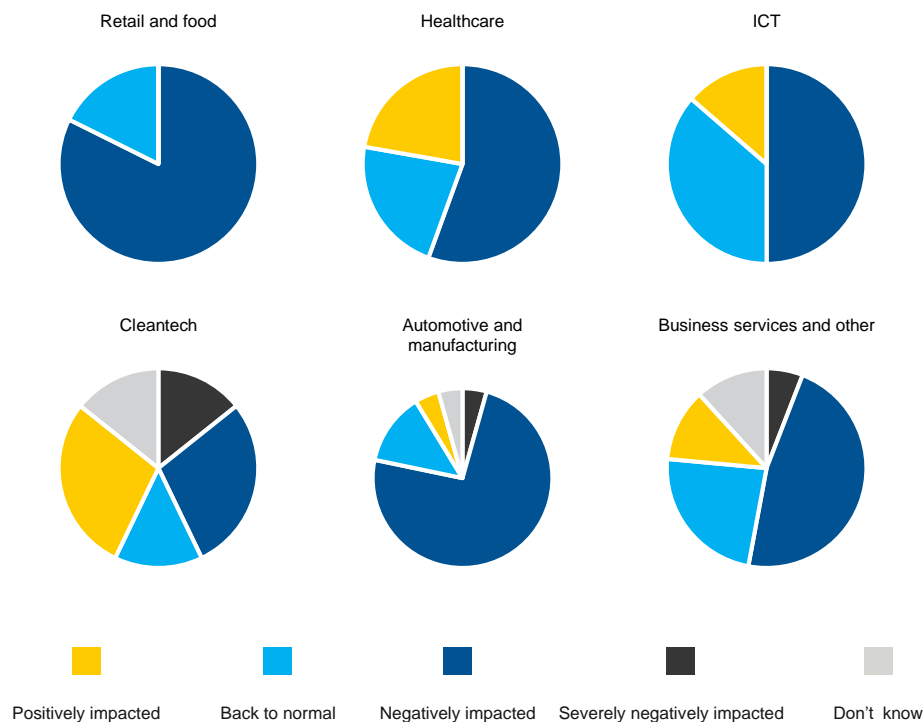
SOURCE: Impact of COVID-19 on Swedish companies in the U.S. Survey: June 2020.

Companies of all sizes expressed similar predictions on degree of impact for the coming 12 months, with large companies being slightly more optimistic. None of the large companies predicted a severe negative impact, and 14 percent of large companies anticipated a positive impact in 12 months compared to eight percent of small companies and 11 percent of medium companies.

Compared to the short-term impact, fewer respondents believe their businesses will be negatively impacted in 12 months' time, and more respondents have naturally expressed that they do not know. However, almost three out of four respondents from newly established companies believe their business will still be negatively or severely negatively impacted. Even though the companies in the experienced category imagine a less negative outlook, 55 percent still expect negative impacts; the corresponding figure for the most mature companies is aligned with newcomers at 70 percent.

It is again the companies operating nationwide that have the most positive outlook, with more than one out of five respondents expecting positive impact in the next 12 months. For the less geographically spread out companies in the different regions, there are very few respondents expecting positive impact. Potentially, the companies with a national presence are less sensitive to certain aspects of the economic downturn and benefit from better access to resources and customers across the country.

PROJECTED IMPACT IN 12 MONTHS, RESULTS PER INDUSTRY



▶ **82% of businesses in retail and food expect a continued negative impact in a year**

SOURCE: Impact of COVID-19 on Swedish companies in the U.S. Survey: June 2020.

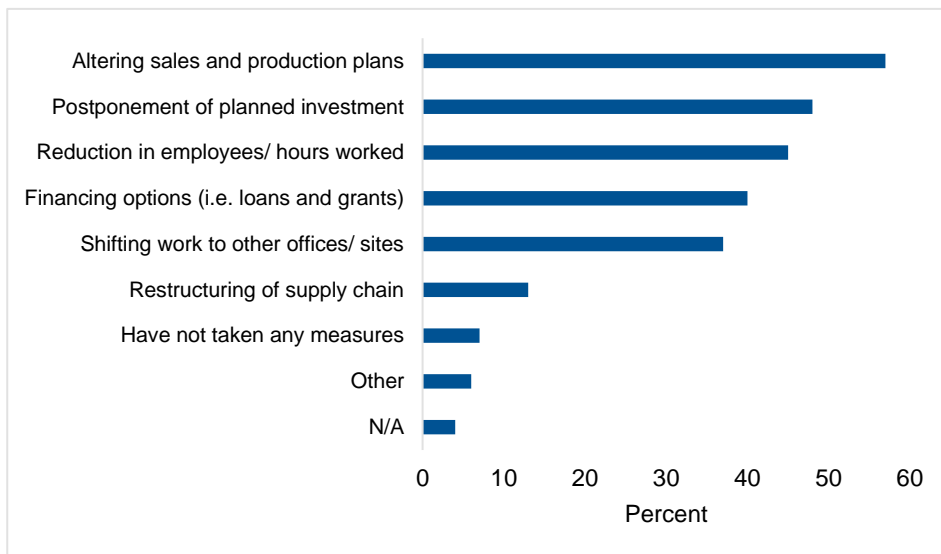
Industry wise, companies belonging to retail and food, and automotive and manufacturing were the most likely to expect COVID-19 to continue to negatively impact their business for the next 12 months. Nearly a third of cleantech and nearly a quarter of healthcare respondents stated that they believe their business will be positively impacted in 12 months' time. Healthcare companies may have a more positive outlook due to their ability to sell more goods and services during the crisis.

SWEDISH COMPANIES HAVE TAKEN MULTIPLE MEASURES TO MITIGATE IMPACT

Over 55 percent of companies have mitigated the continued impacts of COVID-19 so far in the U.S. by altering their sales and production plans for 2020. Postponing planned investments was implemented by 48 percent of respondents as a mitigating factor and reducing the number of employees or the number of hours worked by employees was used by 45 percent of the surveyed companies. Companies surveyed could select multiple answers, which revealed most companies are taking a multifaceted approach to mitigate the risks experienced up to now. In addition to the factors listed below in the graph, companies also mentioned that, where possible, they had allowed their employees in the U.S. to work from home full time.

WHAT STEPS HAVE YOU ALREADY TAKEN TO MITIGATE THE IMPACTS OF COVID-19 ON YOUR BUSINESS?

Respondents could select multiple answers



“ We have pretty much put all activities on hold in the US and will maintain this until it makes sense to push again.

- Small-sized, ICT company

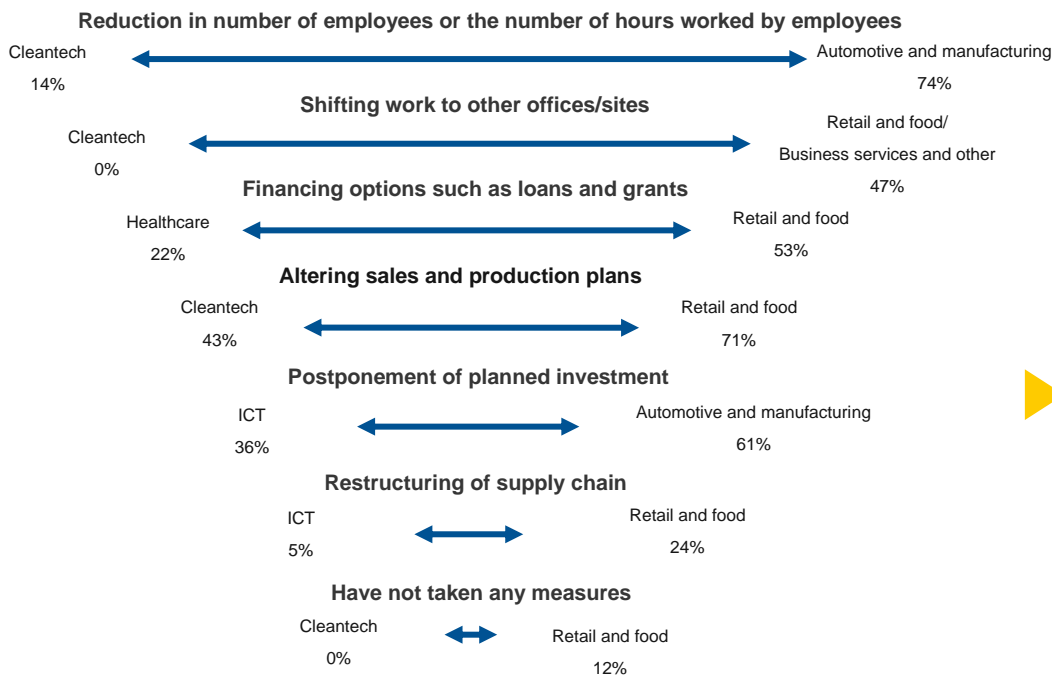
SOURCE: Impact of COVID-19 on Swedish companies in the U.S. Survey: June 2020.

Over half of all companies who responded said that they had altered their sales and production for the 2020 year. It was noticeable that small and medium sized companies were more likely to have turned to financing options such as loans and grants to mitigate impacts than their larger counterparts. This may be because many of the loans and grants in the U.S. have been aimed at smaller firms and have criteria which stipulated eligibility, potentially disqualifying many large businesses. Large companies showed a tendency to have mitigated the impacts of the pandemic by shifting work to other offices and locations, as well as reducing the number of employees or the number of hours employees worked. It is likely small and medium sized companies have less resources and therefore were less likely to have multiple offices to shift work to, and potentially operate more leanly with fewer staff, making it more difficult to reduce workers and/or their hours.

All responders representing mature companies stated that they have already taken measures to mitigate the impact of the pandemic. Most of the experienced companies and the newcomers have also taken measures, but there are a few respondents in these groups stating that no steps to mitigate the crisis has been taken.

Planned investments have been postponed by around 50 percent of the companies in each geographical region, and most frequently by newcomers. To a larger extent, newcomers have altered their sales and production plans for the year in contrast to the more experienced companies. Regarding employees, 60 percent of the mature companies have made reductions in their workforce, which is more than the corresponding number for newcomers at 40 percent and experienced companies with 44 percent. Reduction of workforce has been more common in the West region as well as for companies operating nationwide, while shifting work to other sites has been implemented by companies in the largely populated Northeast and West regions. Of the companies operating nationwide, 21 percent have restructured their supply chain, which is more than in any other individual region. The companies operating nationwide tend to be larger than more regionally focused companies, which could be an explanation for the need or ability to restructure.

RANGE FOR VARIOUS MITIGATIVE MEASURES BETWEEN THE LEAST IMPACTED INDUSTRY AND THE MOST IMPACTED INDUSTRY



74% of the automotive and manufacturing respondents have reduced their number of employees as a measure of mitigating the crisis

NOTE: The two sides of each arrow represent the range between the least impacted industry and the most impacted industry for each category, stating the percentage of respondents having taken a certain mitigating measure within the specific industry.

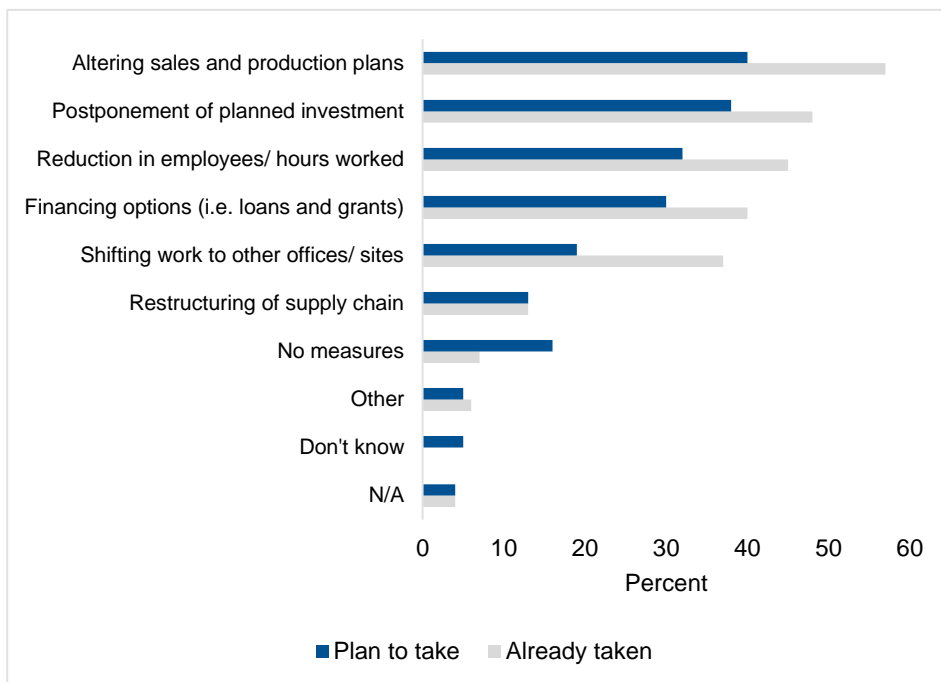
SOURCE: Impact of COVID-19 on Swedish companies in the U.S. Survey: June 2020.

Even though many measures to mitigate the impacts have been implemented across industries, there are large varieties between the industry responses, especially in the case of reduction in number of employees. The most common steps already taken to mitigate the impacts of COVID-19 across almost all industries has occurred within sales and production plans. Notable exceptions are automotive and manufacturing, where reduction of number of employees was the most common measure taken, and business services and other, where postponement of planned investments was the preferred tactic.

COMPANIES PLAN TO CONTINUE TO TAKE SIMILAR MEASURES TO MITIGATE IMPACT

When looking at mitigating the impact of the pandemic in the longer term, similar trends were observed for all Swedish companies' with U.S. operations. Mitigation plans for 2020 vary across the board with 38 percent of companies looking to alter their sales and production plans, 37 percent postponing planned investments, and 31 percent reducing the number of employees or the number of hours worked by employees. Respondents could select multiple options for this question as well, but there were noticeably less responses to the various question options, signaling that companies took more mitigative measures up front, in hopes that less future action will need to be taken.

WHAT STEPS DO YOU PLAN TO TAKE TO MITIGATE THE IMPACTS OF COVID-19 ON YOUR BUSINESS?



“The steps we have already taken to mitigate the impacts of COVID-19 on our business should suffice till year end if necessary.”

- Small-sized, transportation company

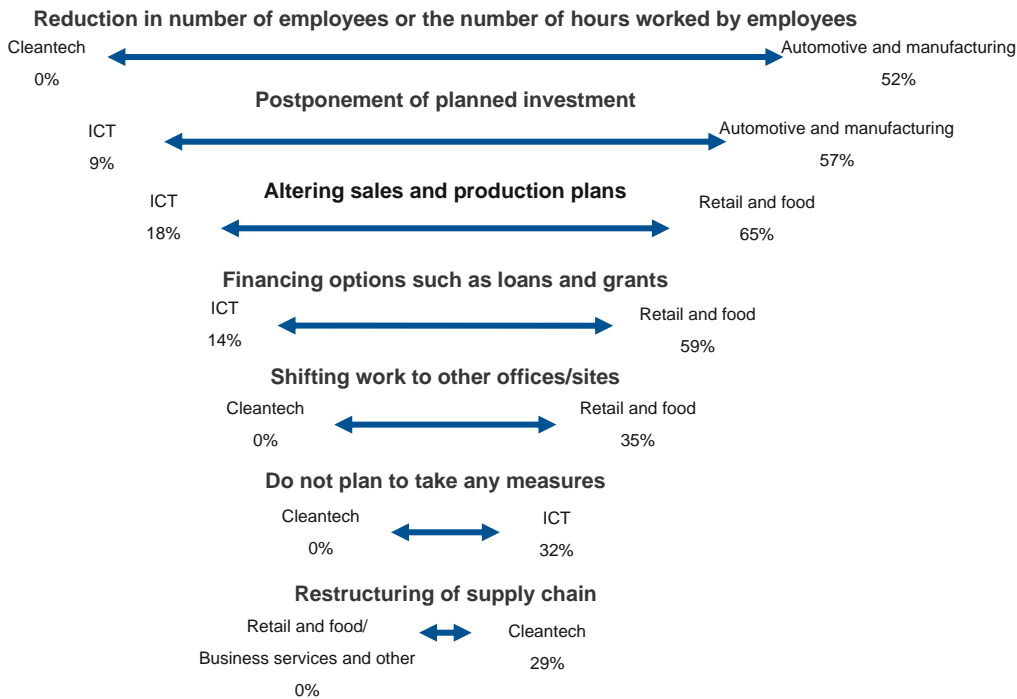
SOURCE: Impact of COVID-19 on Swedish companies in the U.S. Survey: June 2020.

Small and large companies most commonly responded that altering sales and production for 2020 was their plan to mitigate future impact, while medium-sized companies most commonly planning to use financing options and postponing planned investments. Reducing the number of employees or the number of hours worked by employees was also commonly selected as a future plan for medium and large companies, but not as highly ranked for small companies. This is likely due to the fact that smaller companies already have lean operations, limiting their ability to further reduce their workforce.

A higher number of respondents representing experienced companies as opposed to mature or newcomers do not plan to take any measures to mitigate the impact of COVID-19 going forward. Of the experienced companies that do plan on taking measures, about one third intend to alter sales and production plans for the year, and almost as many plan to explore different financing and stimulus options. Half of the respondents from mature companies indicated that they are planning on altering sales and production plans, and a larger number of mature companies compared to experienced companies are planning to shift work to other sites as well as restructure their supply chains.

Geographically, it is more common for companies in the Midwest not to have taken nor plan to take any measures compared to other regions, despite more respondents representing in this region expressing that at the time of the survey they had experienced high negative impact from the outbreak, in contrast to other regions. Companies operating in the South have not altered sales and production plans for 2020 as much as other regions, but half of the respondents plan to do so.

RANGE FOR VARIOUS PLANNED MITIGATIVE MEASURES BETWEEN THE LEAST IMPACTED INDUSTRY AND THE MOST IMPACTED INDUSTRY



NOTE: The two sides of each arrow represent the range between the least impacted industry and the most impacted industry for each category, stating the percentage of respondents planning on taking a certain mitigating measure within the specific industry

SOURCE: Impact of COVID-19 on Swedish companies in the U.S. Survey: June 2020.

Compared to the measures already taken, the planned investments are even more scattered between industries. The difference is especially large for reduction in number of employees, postponement of planned investment, and altering sales and production plans.

Overall, ICT companies are the least likely to take action with 32 percent of respondents indicating that they had no planned mitigation measures. This could be due to them not being as impacted as many other industries, as the demand for their products and services continue in a more stable manner. Despite the nature of the economic downturn, one third of the responding companies working in the field of healthcare plan to reduce their number of employees.

Although almost three out of four respondents within the automotive and manufacturing industry had already conducted layoffs at the time of the survey, over half plan for further workforce reductions going forward. A majority of the retail and food respondents are planning to both alter sales and production plans for the year, and look into financing options such as loans, grants or other incentives.

1 out of 3 ICT companies are not planning on taking any measures to mitigate impact

STIMULUS AND FUNDING

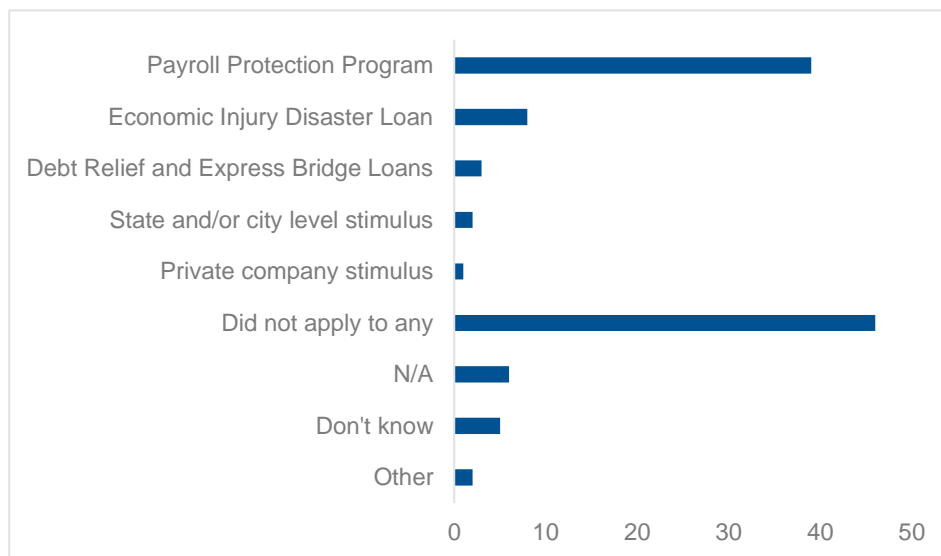
U.S. STIMULUS FUNDS BEING SECURED

Approximately half of Swedish companies surveyed applied for stimulus support from the U.S. government. The most common stimulus applications were for PPP under the CARES Act passed by the U.S. government in March 2020. Over 80 percent of the companies that applied for stimulus and/or other incentives were approved for the funding and were able to apply through their current U.S. bank provider.

However, 46 percent of respondents stated that they did not apply for any stimulus or incentives for businesses impacted by COVID-19 in the U.S. The most common reasons for not applying to receive funding was that the company felt they did not need it; they were ineligible such as being too large, or they were not aware that funding was available to them altogether.

DID YOU APPLY TO ANY OF THE FOLLOWING STIMULUS AND INCENTIVES FOR BUSINESSES IMPACTED BY COVID-19?

Respondents were able to select more than one answer



► Of all surveyed companies that applied for the PPP funding, four out of five were approved

SOURCE: Impact of COVID-19 on Swedish companies in the U.S. Survey: June 2020

Over 50 percent of small and 46 percent of medium sized companies stated they applied for some type of stimulus, while 71 percent of large companies stated they did not apply for any stimulus. These statistics could be attributed to the fact that the bulk of the stimulus packages have been geared toward smaller businesses, which may have impacted the ability for many large Swedish companies to apply.

Just over half of all experienced companies applied for the PPP, while only 19 percent of newcomers and 35 percent of the mature companies applied. One explanation behind the low application frequency for newly established companies is that almost 40 percent of the companies that did not apply were not aware of the different funding options. Geographically, several more respondents based in the West region were unaware of the funding options than respondents based in other regions, which could be explained by the West being highly represented by newly established companies. Other mentioned reasons for not applying across all maturity levels and regions included not being eligible, for example, size of company or not needing to reduce personnel costs.

Out of all companies that applied for the PPP, 80 percent indicated in the survey that they had been approved for funding. While all applicants based in the Midwest and the South were approved, the equivalent figure for the Northeast was much lower at 60 percent. A larger share of experienced and mature companies were approved for the PPP compared to the newcomers, but a majority were approved across all categories.

Companies in the business services and other category, followed by ICT had higher PPP application numbers. Even though the retail and food, and automotive and manufacturing industries have been largely impacted by the COVID-19 outbreak, they had not applied for funding in the same frequency. One explanation, at least for the automotive and manufacturing category, could be that they are often larger in size, making them ineligible. It has been least common for the healthcare industry to apply, indicating that they have not required or been eligible for the stimulus package.

Looking past the PPP, which was by far the most commonly applied for funding option for Swedish companies surveyed, experienced companies, companies located in the Northeast region as well as companies categorized in the business services and other category have been applying for alternative funding and stimulus packages more often than companies with other maturity levels, locations or across other industries. Economic injury disaster loans were the second most applied for option.

“ We have a team of 25 people in the US and, as most companies, we experienced a direct impact of COVID-19 on our business. As a Swedish company, we needed to leverage the support package available in the US.”

Medium-sized, ICT

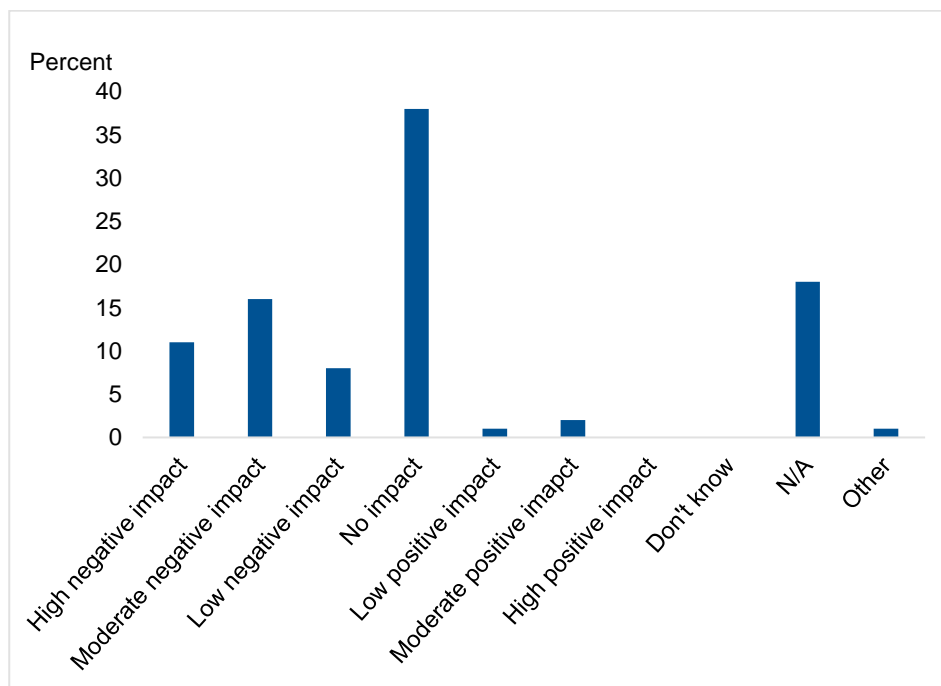
TRADE POLICY AND SUPPLY CHAIN

SWEDISH COMPANIES ANTICIPATE MORE PROTECTIONIST POLICIES IN THE U.S.

The current Trump administration has continued to evoke trade policy restrictions and kept most previously introduced tariffs during the Covid-19 pandemic. The impact of these policies is varied with 38 percent Swedish respondents answering that the policies have had no impact on their business so far, while 35 percent stated they have been negatively impacted to some degree and 10 percent have experienced high negative impacts. Looking ahead, Swedish companies with U.S. operations expect the U.S. will become more protectionist in terms of trade policy after the pandemic has passed.

HAVE PROTECTIONIST TRADE POLICIES SUCH AS THE TRADE TENSIONS AND HIGHER TARIFFS, AFFECTED YOUR BUSINESS AND SUPPLY CHAIN?

▶ Over a third of Swedish companies have not been impacted by protectionist trade policies in the US



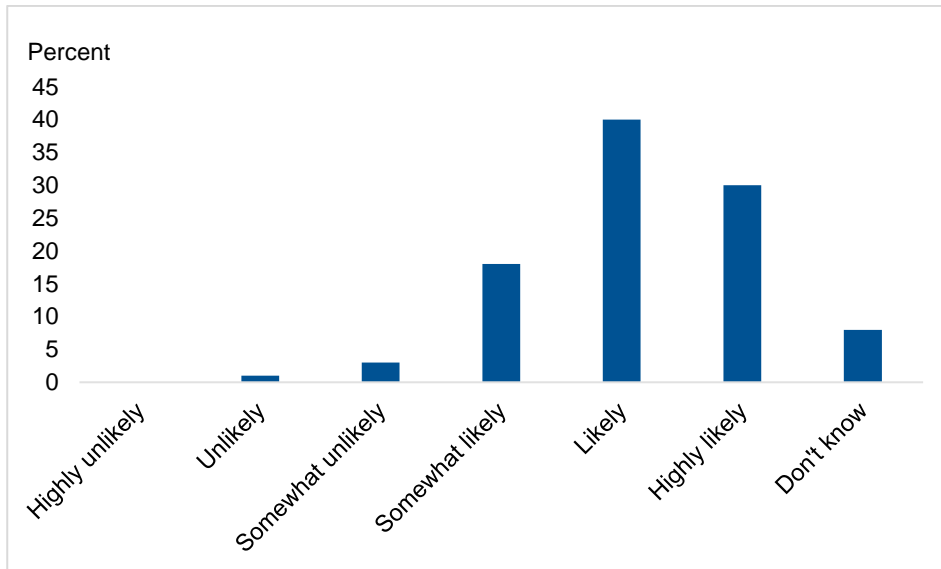
SOURCE: Impact of COVID-19 on Swedish companies in the U.S. Survey: June 2020.

Over a third of all respondents claim to have been unaffected by protectionist trade policies. However, when looking at the time companies have been established in the U.S., representatives from mature companies stated that they have had negative impact to their business and supply chains to a larger extent than less experienced companies. Companies operating nationwide rather than in more limited geographical areas also declare a larger negative impact, even though most remain not affected in this group as well. Industry wise, respondents from retail and food declared the most negative impact, with a majority of the respondents having experienced negative impact. On the other side of the spectrum, only 11 percent of the companies operating in the healthcare industry have been negatively impacted.

DO YOU THINK IT IS LIKELY THE U.S. WILL BECOME MORE PROTECTIONIST IN TERMS OF TRADE POLICY AFTER THE PANDEMIC?



Most Swedish companies believe the US will become more protectionist in terms of trade policy after the pandemic



SOURCE: Impact of COVID-19 on Swedish companies in the U.S. Survey: June 2020

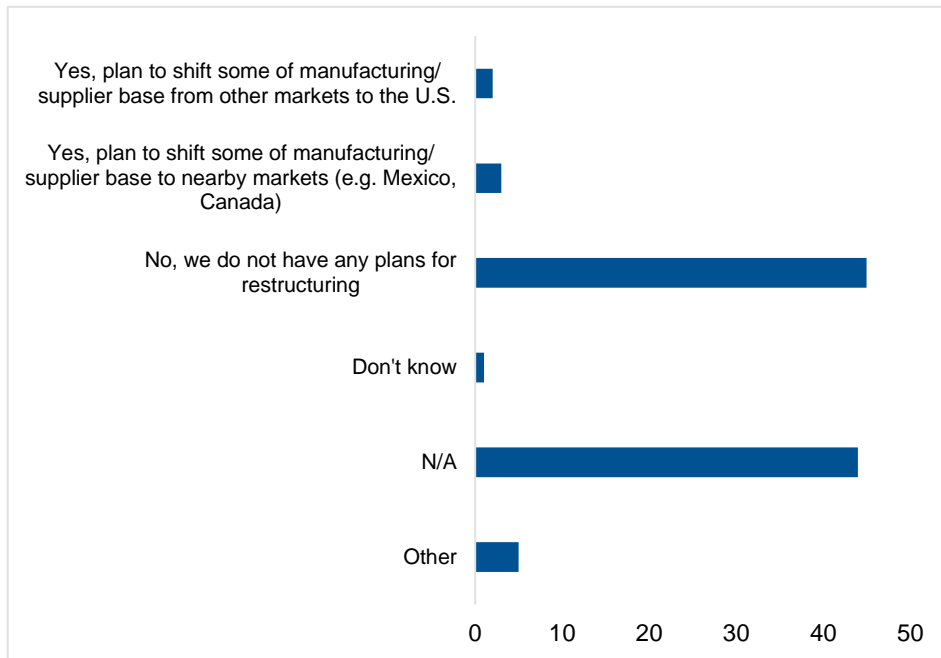
In general, most respondents believe it is likely that the U.S. will become more protectionist in terms of trade policy after the pandemic. Of the respondents representing companies that operate across the whole nation, 93 percent considered it somewhat likely, likely, or highly likely that the U.S. will become more protectionist. A large share of respondents representing newly established companies also believe it is highly likely that the U.S. will become more protectionist after the pandemic.

MOST DO NOT PLAN TO MAKE CHANGES TO THEIR SUPPLY CHAINS

In addition to the trade policies and tariffs enacted by the current administration and the increased difficulty to conduct global business due to the pandemic, many companies worldwide have discussed the idea of altering their supply chains. However, it appears many Swedish companies with U.S. operations do not have any plans to restructure their manufacturing setup or supplier base at this time. It is important to note that for 44 percent of respondents, this question was not applicable as their core business operations in the U.S. does not include manufacturing or working with suppliers.

Although few companies plan on shifting their manufacturing or supplier base to other markets, the companies that showed more likelihood to have restructuring plans come from the healthcare, automotive and manufacturing, and cleantech industries.

GIVEN THE EFFECTS OF COVID-19 ON YOUR U.S. OPERATIONS, DOES YOUR BUSINESS HAVE ANY PLANS TO MAKE CHANGES TO THE SUPPLY CHAIN BY MOVING THE SUPPLY BASE TO THE U.S. OR NEAR THE U.S.?



SOURCE: Impact of COVID-19 on Swedish companies in the U.S. Survey: June 2020.

It may be that Swedish companies are taking a “wait and see” approach regarding restructuring their supply chains. This is in line with what was observed in a 2018 survey of Swedish companies during the initial stages of trade policy change in the U.S. that showed most were not taking a proactive step in dealing with trade conflicts. However, it may be that the “wait and see” approach may no longer be an option given the impact of COVID-19 and the potential increase in frequency of future disruptive events. As opposed to restructuring the supply chain, Swedish companies were more likely to pass increased costs to customers by increasing prices.



Recent disruptive events, as well as ongoing trade conflicts are major drivers for companies re-evaluating supply chains. Not all materials are moving back to the US, some are going to Southeast Asia and Mexico, for example.

- National Association of Manufacturers, USA

CONCLUSION

As one of the countries most affected by the COVID-19 pandemic, the U.S. is facing critical consequences for its citizens and its businesses. Team Sweden USA hopes this report provides insights to how Swedish companies' U.S. operations have been impacted due to the pandemic, while also exploring companies' outlook for the future. Even though the situation is constantly and rapidly changing, the aim is for this report to serve as a useful document of reference Swedish businesses' situation, approach and expectations going forward.

By investigating the impact of the pandemic, stimulus and funding, as well as trade policy and supply chains, the results of the survey highlight that the impact varies in severity between industries, across regions, and is dependent on company size as well as time of establishment in the U.S.. A vast majority of Swedish companies have experienced negative impact to some extent, but the companies are slightly more optimistic about both the short- and long-term future.

Team Sweden USA would like to thank all participating companies for taking time to respond to the survey. All contributions have been truly valuable and resulted in a deeper understanding of the business climate that Swedish companies are currently operating in. Together, we will continue to navigate the situation in Sweden and in the U.S., and we sincerely hope to see relief and improvement for everyone affected.

Please do not hesitate to get in contact with Team Sweden USA to discuss opportunities and concerns.

TEAM SWEDEN USA CONTRIBUTORS

EMBASSY OF SWEDEN

The Embassy of Sweden in Washington, DC 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 DC. In addition to the Embassy there are approximately 30 Swedish consulates located throughout the U.S.

BUSINESS SWEDEN USA

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

SWEDISH AMERICAN CHAMBERS OF COMMERCE

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 19 regional chambers across the U.S. and together we serve more than 2,000 members in Sweden and the U.S. and arrange more than 300 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 U.S. We are designated by the U.S. Department of State as a J-1 visa sponsor for Swedish exchange visitors in the intern and trainee categories. We are approved by the Swedish Migration Board as an international exchange organization that can assist Americans with the application for a Swedish work permit for training. SACC-USA looks forward to welcoming you as a member of our extensive network.

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

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