



Sweden  
Sverige



# BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN SOUTH KOREA 2023

A REPORT FROM TEAM SWEDEN IN SOUTH KOREA

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## KEY CONTRIBUTORS TO THIS REPORT

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**62** respondents out of **122** companies

**Current business climate**

Less positive view on the business climate compared to last year

**Industry turnover**

**61%**

of Swedish companies expect their industry turnover to increase in South Korea

**Future investments**

**48%**

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

**Valued success factors in South Korea**

1. Brand awareness
2. Customer collaboration
3. Partnerships/Local relationships

**Brand Sweden**

**92%**

of Swedish companies in South Korea consider Brand Sweden beneficial for business

**Local conditions with high satisfaction**

1. Personal safety
2. Physical infrastructure
3. Level of digitalisation

**Local conditions with least satisfaction**

1. Labour market regulation
2. Transparency/Equal treatment
3. Licenses, permits, and approvals

**Environmental considerations**

**32%**

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

**Corruption**

- Low to moderate risk in South Korea
- Low risk in advanced economies

**Human rights violation and labour rights abuse**

- Low risk in South Korea
- Low risk in advanced economies

# FOREWORD

Swedish companies have been doing business in South Korea for over 100 years. Recently, the number of Swedish-established subsidiaries in South Korea reached over 130. The Swedish business communities have grown following the Swedish export growth, and more networking activities have been organised since the establishment of the Swedish Chamber of Commerce Korea (SCCK) in 2012.

Team Sweden is a network of public organisations, agencies, and companies that promote Swedish exports and coordinate government support. In South Korea, Team Sweden consists of the Embassy of Sweden, Business Sweden, and SCCK and the Swedish companies. As the Swedish business community grows, the role of Team Sweden has become more crucial, which are:

- Driving industry promotion and exchanging experiences
- Identifying and positioning Swedish solutions and systems locally
- Recommending and coordinating special initiatives
- Ongoing dialogue with local stakeholders to enhance market conditions for Swedish companies

The purpose of this report is to increase the understanding of Swedish companies' performance in South Korea and deepen our appreciation of the opportunities and challenges that the South Korean market poses. In addition, it will hopefully serve as a reference in bilateral trade dialogues between Sweden and South Korea.

Lastly, we would like to extend our most sincere gratitude to the participating companies and respondents who have contributed to this report.



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Country Manager,  
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Ambassador of Sweden  
to the Republic of Korea



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Chairperson, Swedish  
Chamber of Commerce  
in Korea

# EXECUTIVE SUMMARY

Today, more than 130 Swedish companies are active in South Korea in a wide variety of industries and sectors, with the majority of them having a small local team that represents a big global firm. While most companies have been present for several years, there are also many new arrivals in recent years.

Compared to the past two years, fewer Swedish companies reported a financial loss this year. The number of profitable companies has somewhat decreased, but break-even companies have more than doubled from seven per cent in 2022 to 16 per cent in 2023, showing an overall positive trend and increased stability.

However, difficult conditions in the global and local economies have led to significant negative trends. Compared to last year, fewer companies have positive turnover expectations, fewer are choosing to increase investments in South Korea, and the perceived business climate has also taken a steep dive. Overall, these conditions tell us that Swedish companies believe tougher times are coming in 2023.

One interesting development seen this year is the increase in R&D based in South Korea. The fact that more Swedish companies are engaging and choosing to invest in R&D than ever before suggests that there is now a larger focus on local value-adding activities.

Results also show that the South Korean market is stable and advantageous in many aspects, with good personal safety, physical infrastructure, and level of digitalisation. Furthermore, “Brand Awareness” was ranked 1st as the most important factor to maintain competitiveness in South Korea this year, where 92 per cent of respondents consider “Brand Sweden” to be beneficial for their business.

“**Our partners in South Korea perceive that Swedish brands stand for diversity and equality with a strong focus on environmental sustainability, technological expertise and innovation. Our presence in South Korea reflects these values and helps us to attract talent and promote our solutions to local customers.**

**Hannes Ekstrom, President & CEO**  
Ericsson-LG

“**Representing a new Swedish high-tech entrant to the Korean market, the Swedish Brand is of very strong support in gaining trust from new Customers and Partners. Belonging to a country with strong heritage in innovation definitely helps us moving forward here.**

**Håkan Borin, Representative in Republic of Korea**  
Kebni AB

# ABOUT THE SURVEY

## MAPPING OPPORTUNITY AND CHALLENGE

The Business Climate Survey targeting Swedish companies in South Korea has been carried out since 2009 and annually since 2014 by Team Sweden. The purpose of this report is to increase the understanding of Swedish companies' performance in South Korea and deepen our appreciation of the opportunities and challenges that exist in the South Korean market. In addition, it will hopefully serve as a reference in bilateral trade dialogues between Sweden and South Korea.

The survey was conducted in March 2023. The survey targeted country managers and country representatives who have an overview of their company's performance and results in 2022. Out of 122 eligible companies, 62 respondents replied with a 51 per cent response rate. With it, the survey result can be trusted with a 95 per cent confidence level.

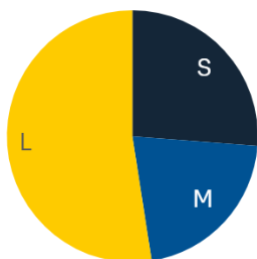
In regards to the composition of companies that responded to the survey, large companies with more than 1,000 global employees represent 52 per cent of the sample size, while medium-sized companies (250-1,000 global employees) make up 21 per cent of all replies. Finally, 26 per cent were small companies with less than 250 employees. However, when counting only local employees, the majority of Swedish companies would be considered small.

Respondents to the survey come from a wide range of industries. The survey groups answer into three categories: Industrial (51 per cent), professional services (28 per cent), and consumer companies (16 per cent). The rest are categorised as "other" and are not specified in the data.

Twenty-eight per cent of Swedish companies in South Korea have had operations for more than two decades, 43 per cent established their business between 2001-2015, and 30 per cent are newcomers, having set up their business after 2016.

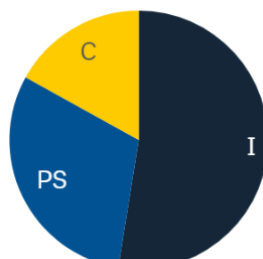
The report structure is divided into "Economic Outlook," "The Market," "How Swedish Companies Succeed in South Korea," as well as "Acting Sustainably."

### SIZE OF COMPANIES



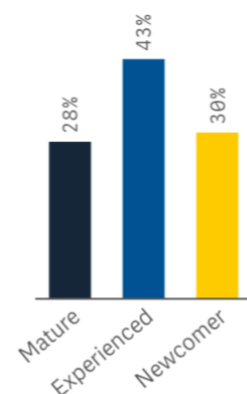
NOTE:  
Global employees.  
Large >1000.  
Medium 250-1000.  
Small 0-249.

### MAIN INDUSTRY



NOTE:  
Industrial 51%.  
Professional services 28%.  
Consumer 16%.

### AGE OF COMPANIES



NOTE:  
Mature (-2000).  
Experienced (2001-2015).  
Newcomer (2016-)

# ECONOMIC OUTLOOK

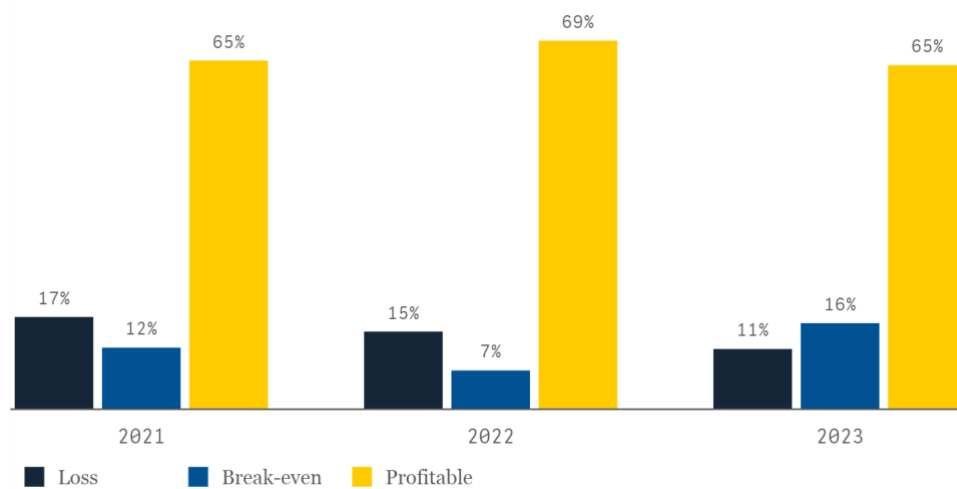
## Overall positive trend, with fewer Swedish companies reporting losses in the past year

The results of this year's survey show an overall positive trend over time in terms of financial performance, with fewer Swedish companies reporting losses compared to previous years and more than twice as many companies coming in at break-even.

Across all company sizes, more than 50 per cent reported that they were profitable, with a higher 'profitable' percentage the larger the company. Small companies had the most difficulties, with 25 per cent of them saying they were in the red.

Similarly, mature companies represented the highest percentage of profitable companies at 94 per cent, with six per cent at break-even, and no mature companies in South Korea reported a loss. The percentage of unprofitable companies was similar between the experienced companies and the newcomers at 15 and 17 per cent, respectively.

### HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN SOUTH KOREA IN THE PAST YEARS?



NOTE: The number of respondents for this question was 62 in 2023. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in South Korea 2023.

The Swedish companies in the industrial and professional services sectors performed the best, with only six per cent reporting losses and almost 70 per cent being profitable in both categories. The consumer goods segment reported significantly higher losses with 30 per cent.

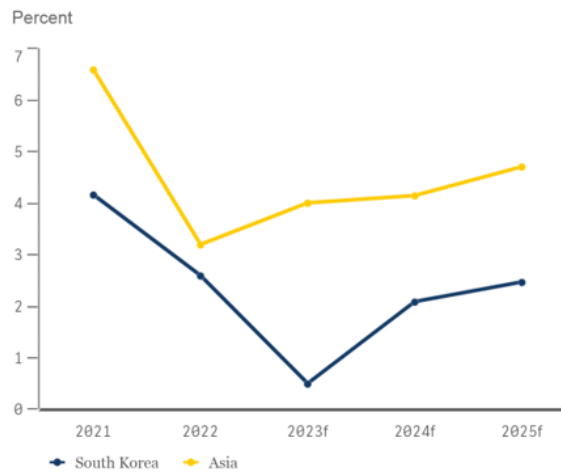
The survey results from this year show that many smaller companies, especially those in the consumer goods sector, were facing many challenges in the South Korean market. On the other hand, Swedish companies overall seem to have found more stability now that the pandemic is coming to a close. The percentage of companies making a loss has decreased compared to previous years, and more companies find themselves doing break-even.

## Global economy and local conditions result in lower turnover expectations for 2023

There is a clear downward trend this year in terms of future expectations: It is reported that only 61 per cent of Swedish companies expect turnover to increase, down almost 20 per cent from last year. The Korean economy has also taken a hit with large dips in exports for some of the country's key industries. Both the global economy and domestic conditions provide reasons for this development.

South Korea is a world leader in battery and semiconductor exports, and the past year has been difficult for both industries. While demand has been increasing in the battery sector, raw material costs have increased manifold, especially for the critical component lithium, and new sources of such raw materials often take a long time from finding the deposit to mining and then shipping. The process for getting the right approvals and certificates is often complex and long, and as such, it is expected that the battery industry demand will stay above supply until further sources of raw material have been developed. South Korea's economy also took a hit when semiconductor demand plunged, greatly lowering exports from South Korea to the world. With two of South Korea's key industries under pressure, the projected GDP is expected to decrease in 2023.

PROJECTED GDP GROWTH IN SOUTH KOREA

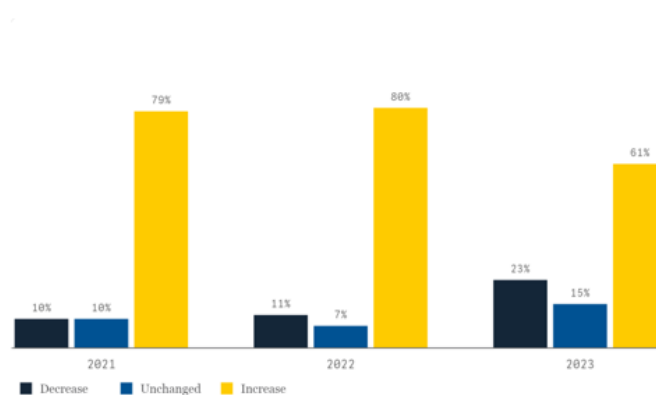


NOTE: Constant prices.  
SOURCE: Oxford Economics, GDP, real, annual growth. Last updated 24 April 2023.

The Russian invasion of Ukraine has also disrupted supply chains and created price hikes for products like wheat all around Europe, leading to increased ingredient costs for F&B brands, among others. Logistics and transportation have also been greatly impacted by the war as Russia has closed off its airspace, increasing both the time and cost of shipments and travel by air between Sweden and South Korea.

South Korea has also been going through changes at home. Among others, President Yoon was elected in 2022 with promises to boost the economy by lowering tax rates and making it easier for companies to invest in targeted industries. The government has also introduced a contractionary fiscal policy, tightening the budget after the increased spending of the previous administration during the pandemic. Thus far, however, President Yoon's new tax policies have been met with some resistance, leading to a lower tax cut for businesses than anticipated.

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



NOTE: The number of respondents for this question was 62 in 2023. "Don't know/Not applicable" responses are included but not shown in figure.  
SOURCE: Business Climate Survey for Swedish Companies in South Korea 2023.

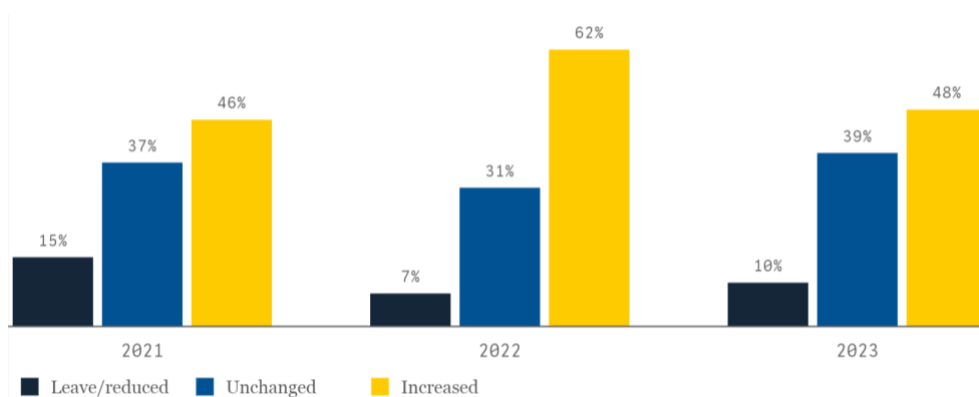
With the global economy under pressure from supply chain disruptions, cost increases, and high inflation, and South Korea's economy going through hardships – coupled with government policy



failing to achieve campaign promises – Swedish companies may now expect to experience more challenges in South Korea's highly competitive and demanding market.

## 48% of Swedish companies intend to increase investments in Korea in 2023, with Marketing & Sales, A/S, and R&D at the top of the list

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



NOTE: The number of respondents for this question was 62 in 2023. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in South Korea 2023.

Increased investment plans of Swedish companies in South Korea have shrunk by some 14 per cent compared to last year to 48 per cent but are on par with the survey results from 2021, when 46 per cent reported that they would increase investments in Korea.

The largest increase is in the consumer industry, where 70 per cent of companies said they would increase investments. A similar number of Swedish companies that are new to the Korean market will increase their investments. On the other hand, only 42 per cent of industrial companies will increase their investments, and 55 per cent answered that it would remain unchanged. Mature companies and those in the professional services industry are the most inclined to reduce investments, with 18 and 28 per cent, respectively, responding that they would leave or invest less this year.

### IF YOU HAVE AN INVESTMENT PLAN IN KOREA, WHAT AREAS WILL YOUR COMPANY MAINLY INVEST IN FOR THE NEXT COMING 3 YEARS?



An interesting development in the survey this year, however, is the introduction of 'Research & Development' to the top 3. With 27 per cent, suggesting more and more Swedish companies are not only selling but also conducting their R&D on-site in Korea. 'Marketing & Sales' and 'After-sales Service' have been in the top 3 for many years.

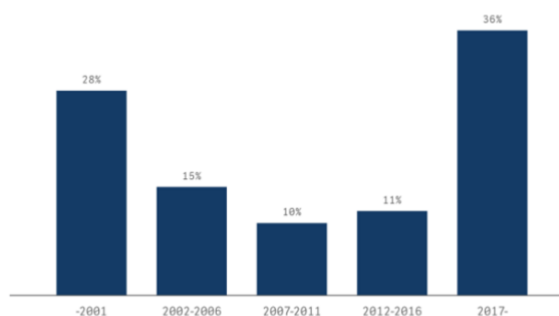
## THE MARKET

### More than 1/3 of establishments have happened in recent years, with the majority of local companies being small, although representing large global groups

The establishments across a wide variety of sectors have been continuing in recent years in Korea. Thirty-six per cent of Swedish companies in South Korea were established within the past six years. Overall, there is a clear trend among Swedish companies in the Korean market, with as much as 84 per cent of them employing less than 249 people locally and 52 per cent employing more than 1000 people globally. As such, local operations tend to be small but represent large groups and corporations.

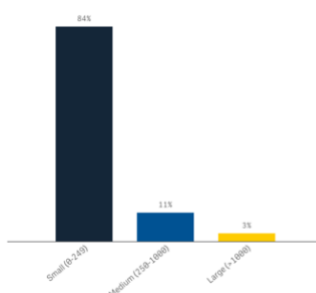
Automotive, healthcare/pharmaceutical, and industrial equipment companies are still the most common in South Korea, with the highest proportions. The number of companies belonging to other sectors has been increasing, however, showing a growing diversity in the types of Swedish companies present in South Korea. Among these, the number of consumer goods companies seems to have increased the most together, with companies belonging to sectors outside the top 10.

IN WHAT YEAR DID YOUR COMPANY ESTABLISH OPERATIONS IN SOUTH KOREA?



NOTE: The number of respondents for this question was 62. "Don't know/Not applicable" responses are included but not shown in figure.  
SOURCE: Business Climate Survey for Swedish Companies in South Korea 2023.

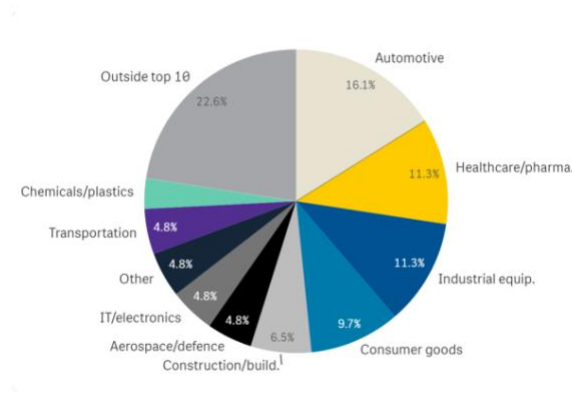
SWEDISH FIRMS' LOCAL NUMBER OF EMPLOYEES IN SOUTH KOREA IN 2023



NOTE: The number of respondents for this question was 62. "Don't know/Not applicable" responses are included but not shown in figure.  
SOURCE: Business Climate Survey for Swedish Companies in South Korea 2023.

With the new establishments this year, there are now more than 130 Swedish companies in South Korea. As the number of companies and their variety increase, South Korea remains an attractive market to invest in, and business opportunities are being found in more industries than before.

WHAT IS YOUR COMPANY'S MAIN INDUSTRY IN SOUTH KOREA?



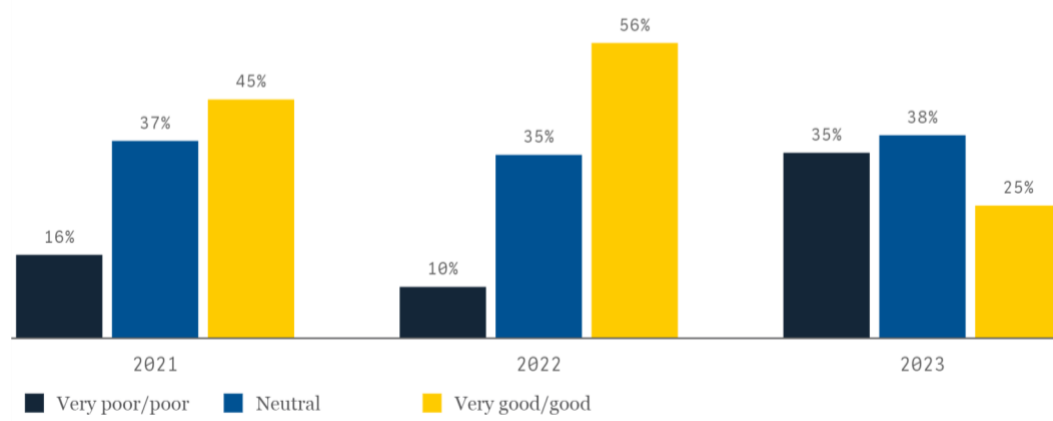
NOTE: The number of respondents for this question was 62. "Don't know/Not applicable" responses are included but not shown in figure.  
 SOURCE: Business Climate Survey for Swedish Companies in South Korea 2023.

## Perception of the current business climate worsens, with 35% believing the current business climate is poor and very positive responses continuing to dive

Despite the continuous improvement in the perception of the current business climate in South Korea until 2022, this year recorded about half a decrease for a good or very good business climate. These radical changes may be attributed to complex and powerful effects such as geopolitical conflicts and the global economic recession caused by interest rate hikes.

However, compared to the results of the past few years, the 'neutral' remains the same, and in the case of 2023, it seems a considerable portion of 'very good/good' has moved to 'very poor/poor'. Given that the portion of 'neutral' has been stable for the past years, the change in 2023 may be due to the external effects described above, and rather than implying a radical deterioration of the Korean market structure, it can be seen as a result reflecting concerns about the current times.

### HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN SOUTH KOREA?



NOTE: The number of respondents for this question was 62. "Don't know/Not applicable" responses are included but not shown in figure.

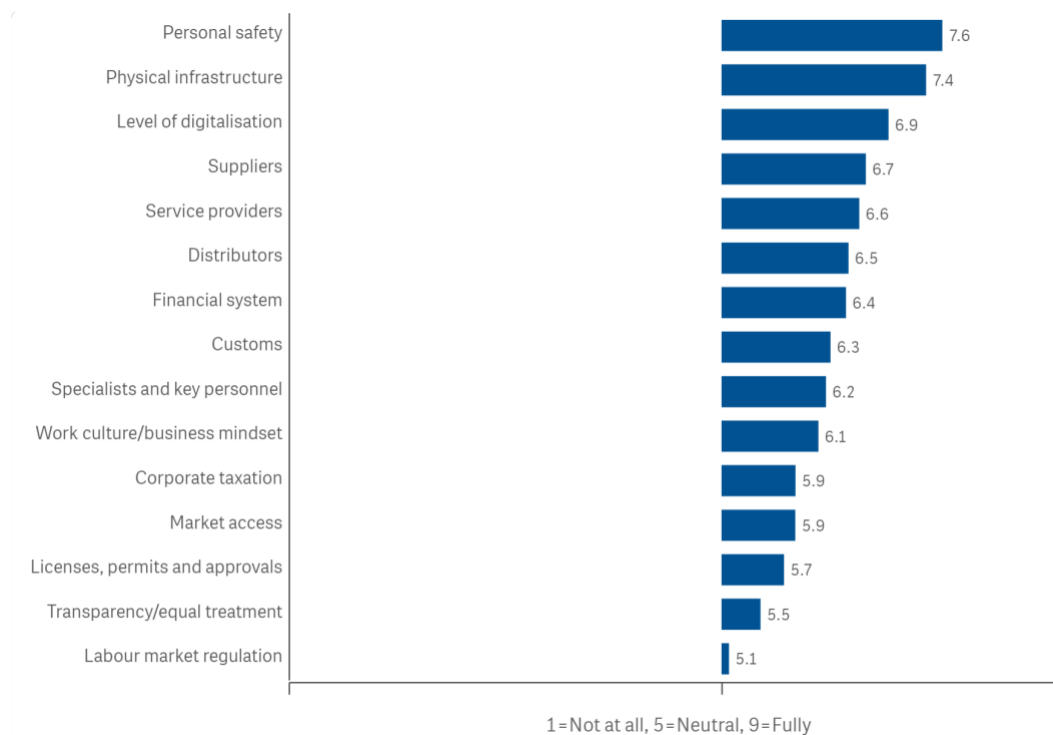
SOURCE: Business Climate Survey for Swedish Companies in South Korea 2023.

## Personal safety, physical infrastructure, and level of digitalisation are the top 3 conditions that meet business needs, with labour market regulation coming last

Swedish companies rank all 15 business conditions in South Korea above the neutral level to meet their needs. Survey respondents are particularly satisfied with Korea's personal safety, physical infrastructure, and level of digitalisation. At the bottom of the list, the lowest responses as unmet conditions are labour market regulation, transparency/equal treatment, and licenses, permits, and approvals. Both the top and bottom responses are well-known and recur from year to year.

One of the positive highlights is that the condition for personal safety has ranked at the top. The preceded survey in 2021 during the pandemic reported that Swedish companies ranked personal safety as the most necessary condition, and now it has become the most satisfactory condition for Swedish companies in South Korea.

## HOW WELL DO THE FOLLOWING CONDITIONS MEET THE NEEDS OF YOUR COMPANY IN SOUTH KOREA?

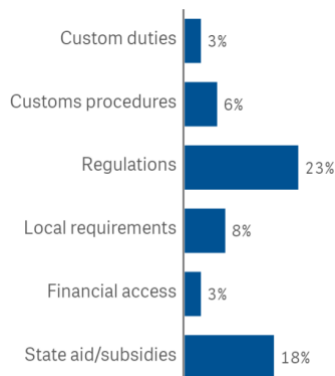


NOTE: The number of respondents for this question was 62.  
SOURCE: Business Climate Survey for Swedish Companies in South Korea 2023.

## Technical regulations/standards and State aid or subsidies to domestic competitors are the largest trade barriers, affecting around 1 in 5 Swedish companies

According to the table on the right, more than half of the Swedish companies in South Korea have encountered some means of trade barriers. Regulations, State aid/subsidies, and local requirements are the top 3 trade barriers, and about 1 out of 5 Swedish companies have been affected by the 'Technical regulations/standards' and 'State aid or subsidies to domestic competitors.'

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



NOTE: The number of respondents for this question was 62.  
SOURCE: Business Climate Survey for Swedish Companies in South Korea 2023.

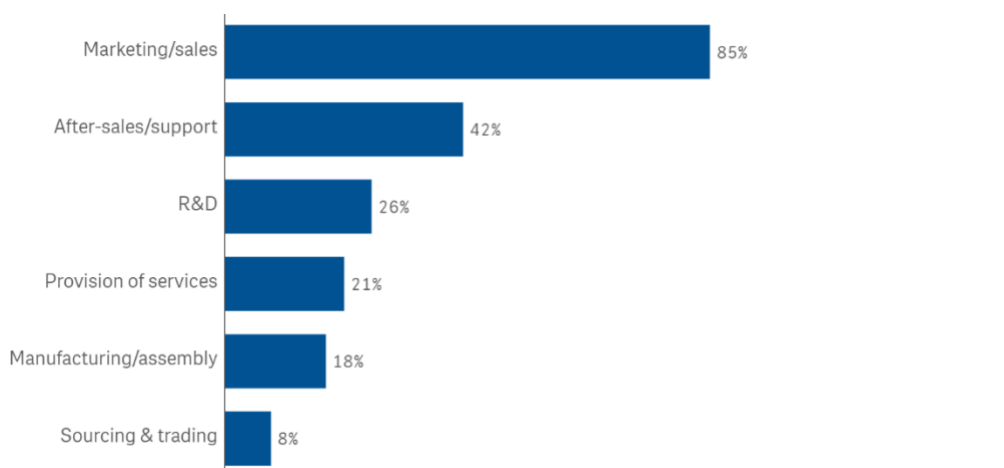
# HOW SWEDISH COMPANIES SUCCEED IN SOUTH KOREA

## Main operations are Marketing and Sales, A/S, and R&D, and it illustrates the increasing importance of R&D activity and may indicate a shift to more value-added product development led in Korea

A relatively large number of Swedish companies reported that they conduct R&D activities in South Korea compared to previous years as it rose from 15 per cent in fourth place to 26 per cent and claimed third place. The most common operation, Marketing/sales, saw an interesting decline from 98 per cent in 2022 to 85 per cent this year, while after-sales/support only saw a minor decrease of three per cent, remaining in second place.

This development suggests Swedish companies may be moving towards conducting more value-adding operations in South Korea rather than developing abroad and then focusing on sales. Sweden and South Korea are two of the most innovative countries in the world, and many exciting innovation-driven partnerships are going on between the two countries today. As such, seeing more Swedish companies engage in R&D on-site in South Korea is a positive development that may lead to benefits such as increased knowledge transfer.

### OPERATIONS OF SWEDISH FIRMS IN THE MARKET



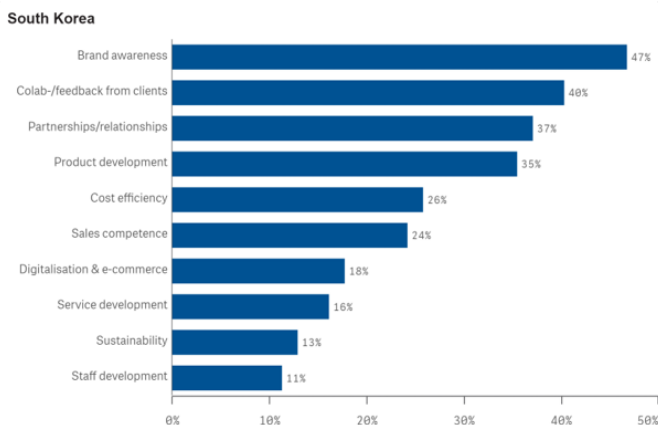
NOTE: The number of respondents for this question was 62. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in South Korea 2023.

## Brand awareness has become the most important area for competitiveness, followed by customer collaboration and partnerships/local relationships

Brand awareness was ranked second for the past two years and came in at first place this year with a rather significant margin. The global economy, currently experiencing stress due to interest rate increases and geopolitical struggles around the world, provide the basis for one hypothesis for why brand awareness has become more important. In hard times, it can be increasingly important to stand out in the crowd to retain loyal customers as well as attract new ones. Furthermore, the other criteria in the survey question depend more on the companies themselves, their sales teams, etc., for increased competitiveness.

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

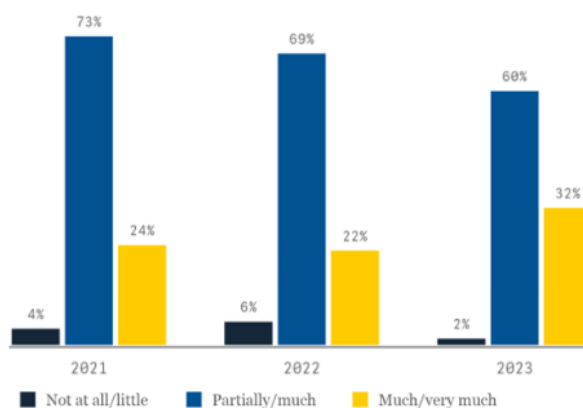


NOTE: The number of respondents for this question was 62. "Don't know/Not applicable" responses are included but not shown in figure.  
SOURCE: Business Climate Survey for Swedish Companies in South Korea 2023.

## Over 90% of Swedish companies see the Swedish brand as an increasingly positive contributor to business in South Korea

The Swedish brand has demonstrated a noteworthy and increasing influence on business in South Korea, presenting an advantageous opportunity that Swedish companies should capitalise on. According to the survey this year, an impressive 92 per cent of respondents acknowledged the positive impact of the Swedish brand on their business in South Korea. This result underscores the importance of leveraging the Swedish brand to enhance market presence and overall business performance for Swedish companies in South Korea.

TO WHAT EXTENT WOULD YOU ESTIMATE THAT THE "SWEDISH BRAND" CONTRIBUTES TO YOUR BUSINESS IN SOUTH KOREA?



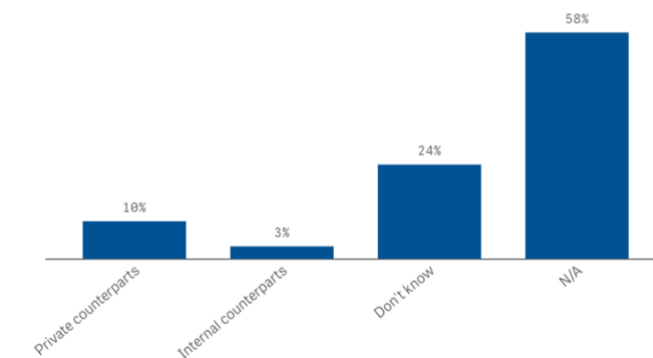
NOTE: The number of respondents for this question was 62. "Don't know/Not applicable" responses are included but not shown in figure.  
SOURCE: Business Climate Survey for Swedish Companies in South Korea 2023.

# ACTING SUSTAINABLY

## As much as 10% of companies reported exposure to corruption by private counterparts

Eighty-two per cent of respondents answered 'Don't know' or 'N/A' for the experience of being exposed to corruption. However, 13 per cent said they had experienced corruption, either with private counterparts (10 per cent) or with internal counterparts (three per cent). The fact that 10 per cent have been exposed to corruption with private counterparts is alarming, as such corruption can severely damage the business and brand of the company involved.

**HAS YOUR COMPANY IN SOUTH KOREA BEEN EXPOSED TO CORRUPTIONSUCH AS, BUT NOT LIMITED TO, ATTEMPTS OF BRIBERY OR FRAUD IN CONTACTS WITH ANY OF THE FOLLOWING AREAS?**

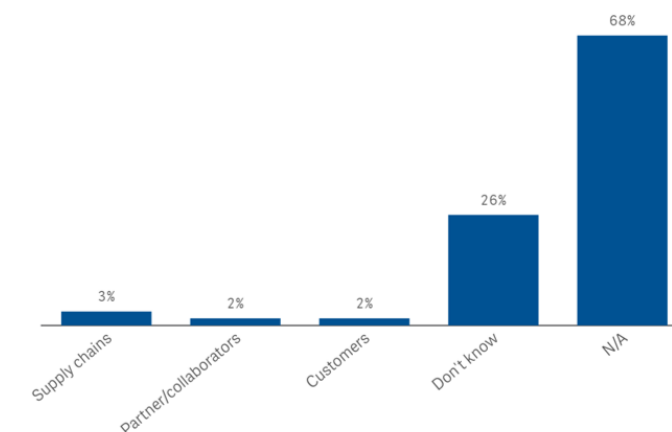


NOTE: The number of respondents for this question was 62.  
SOURCE: Business Climate Survey for Swedish Companies in South Korea 2023.

## Nothing stands out when it comes to the violation of human rights or labour rights.

The likelihood of encountering any human rights violation in South Korea is very low. Of the respondents, 94 per cent answered 'Don't know' or 'N/A' for the experience of having encountered any form of violation of human rights or labour rights. Like in many other democratic societies, human and labour rights in South Korea are protected by the Constitution of the Republic of Korea. Also, related laws and regulations have been developed and are getting mature, driven by governmental efforts.

**HAS YOUR COMPANY IN SOUTH KOREA ENCOUNTERED ANY FORM OF HUMAN RIGHTS VIOLATIONS AND/OR LABOUR RIGHTS ABUSE IN ANY OF THE FOLLOWING AREAS?**



NOTE: The number of respondents for this question was 62.  
SOURCE: Business Climate Survey for Swedish Companies in South Korea 2023.







