Doing Business In Sweden

Unemployment in Sweden was 6% in 2008 and hovered around 9-10% for much of 2009. The exposure of Swedish banks to financial turbulence in the Baltic States was, and still is, of particular concern. In late 2008, Sweden joined other European countries in taking steps to stabilize its financial system by guaranteeing over $200 billion of new bank borrowing and creating a fund to take direct stakes in banks. During the period from July 2007 to the end of 2008, the Stockholm Stock Exchange index OMXS30 fell by as much as 58%. Since then, it has recovered much of its losses. The auto industry (Ford’s sale of Volvo automobile to a Chinese conglomerate-led concern and GM’s sale of SAAB to a Dutch conglomerate-led concern) and the commercial construction sector have been the most affected during the financial downturn. Cuts in mortgage interest rates are given as the main reason for the dramatic fall in prices and thus inflation.

Sweden is a small, trade-dependent country and to meet the shortage mainly in long-term export financing that has arisen in connection with the turmoil on the world's finance markets, the Government has approved a credit guarantee to the Swedish Export Credit Corporation (SEK) SEK for borrowing and raised the ceiling for export credit guarantees to SEK 350 billion. This is intended to improve Swedish export companies’ ability to finance important business. At present Sweden exports about three times as much as it imports from the U.S. The U.S. Embassy Commercial Service in Stockholm is focused on redressing this imbalance and is working with the Swedish Government and companies to promote U.S. products in areas such as life sciences, cleantech, telecommunications software and services, consumer products, defense materiel, and education and travel in the U.S. for Swedish citizens.

The most exciting sector in Swedish-American trade is that of cleantech. Given the U.S. and Swedish leadership in developing technological solutions to mitigate environmental damage caused by global warming, the U.S. Embassy in Stockholm, together with other U.S. Embassies in the Nordics, has focused on opportunities in bio-fuels, bio-energy generation, gasification, tidal/wave, geothermal, solar, wind, hydro, energy storage, and conservation. As a partner in cleantech, Sweden has high environmental standards, high renewable energy utilization, and demonstrates particularly good engineering and planning skills in reducing reliance on fossil fuels and building “eco-efficient economies”. Sweden has been uses its cleantech solutions to build new international partnerships.
Market Challenges

Prices are high in Sweden, which offers both an opportunity in terms of new product pricing, and challenges in terms of the cost of doing business. About 80% of working Swedes belong to a union. Swedish law requires that union members be represented on the board of any company with over 25 employees. Generally speaking, labor laws create an expensive market for labor, making operations like franchising a challenge. On the other hand, Sweden is one of the most cost-efficient countries in the world for design, research and development because of the relatively low cost of scientists and engineers and top-notch research facilities. Individual tax rates are among the highest in the world (the highest by some calculations), but corporate taxes are medium for Europe at about 28%. VAT taxes of 25% apply for the import or sale of products anytime products change hands. Taxes have been reduced under the new government.

Market Opportunities

Sweden is a world leader in telecom, computers, electronics, robotics, pharmaceutical and medical products and biotech and is regularly listed as top in the world in terms of high-tech readiness and receptivity. Swedes are leaders in implementing e-government, and high-tech sectors like security ID systems, alternative energy solutions, and nano-technology. Sweden has one of the most open and competitive markets in the world. The U.S. has few substantial trade issues with Sweden and there is virtually no corruption. Sweden is considered an ideal test market, though an expensive one, because of the high regard for U.S. products coupled with fact that Swedes are “early adaptors”; being quick to start or follow trends. Sweden is home to more multinational corporations per capita than any other country in the world and is considered a headquarters base for the Nordic countries. Sweden is sometimes described as the most Americanized of countries. By one count, there are 12 million Americans of Swedish ancestry living in the U.S., with only 9 million Swedes living in Sweden.

Market Entry Strategy

Sweden is a sophisticated market with savvy consumers and buyers that demand value in their product choices and likes to be a trend leader. The most effective entry strategies will vary by product and sector. As for all the Nordics, flexibility in the distribution channels and in consumer habits allow for almost any entry path to the market. Stockholm is the most frequent stop for visitors, but depending on the sector, visits to other Swedish cities may be warranted. Gothenburg, the business center on the west coast, and Malmo on the southern coast, should not be neglected in a country business plan. Agents and distributors are commonly used for market entry.

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