



DOING BUSINESS IN SWEDEN

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Market profile

Sweden is the largest Nordic economy as well as one of the closest and most significant partners to Finland and Finnish businesses. Usually dubbed as “the second home market”, Sweden is the most common first market for Finnish SMEs in their internationalization journey.

The economy in Sweden is dynamic and currently the country is ranked as the fourth most competitive in the world ([IMD World Competitiveness Ranking 2022](#)). Sustainability, equality, and innovation play a fundamental part in the Swedish economy and business culture.

The international atmosphere, double the market size and quality-savvy customers make Sweden an attractive market for developing and testing solutions in a competitive and more international environment, yet close by. Developing a business concept in Sweden often creates good prerequisites to succeed in other international markets.

Sweden is a member of the European Union and is subject to EU trade regulatory requirements while still maintaining its own currency (SEK).

FACTS

- Capital: Stockholm
- Official language: Swedish, 5 minority languages incl. Finnish
- Area: 410 000 sq km
- Population: 10.5 million

Economy and business structure

The Swedish economy is generally stable, with a continuous upward trajectory in the economy since 2015 up until to 2020, when the pandemic hit. The central government finances show a surplus. The national debt corresponded to 22% of GDP which is considered low in an international comparison. The ability to adapt to global competition, advanced technological know-how and the readiness of the labour market parties to collaborate towards same goals, constitutes important strengths of the Swedish business sector.

The country is thereby resilient when entering recession in 2023. The recession is predicted to last into 2024. The Swedish GDP is expected to decline more than the EU average, according to estimates by 1,1 % in 2023. However, the Swedish labour market is resilient and only a moderate decline in employment is expected in 2023 and 2024 which ease the recession. Nevertheless, the economic downturn in combination with high inflation is causing uncertainty in the market: consumer confidence has weakened, and Swedish companies are preparing for the recession.

Indebted Swedish households are hit by the rising interest rates, and the weak krona is boosting the already increasing inflation. On the other hand, the weak krona is advantageous for the Swedish exports, and large export companies are still performing well. Although small and medium-sized enterprises have challenges due to increasing costs and decreasing demand.

The distress is also reflected in the CEO Survey conducted by PWC in 2023. According to the survey, about 60% of CEO:s at global Swedish companies are worried about increasing inflation rates and a decreasing purchasing power. More than half have lowered or are considering lowering their investments and are counting on having to adjust their operations due to changing consumer patterns and a lack of workforce and competence.

In terms of business structure there are around 1,2 million companies in Sweden, of which a major part, 96 percent, are small enterprises with less than 10 employees. Even though large companies make up only around one permille of the number of businesses, their contribution to the economy is significant: they account for 40 percent of the total revenue and employ around one third of the employees. Small enterprises account for another 40 percent of the revenue and 45 percent of the employees, while the share of the medium-sized companies is around 20 percent for both revenue and employees. (Tillväxtverket, SCB).

The stable and well-developed financial sector in Sweden is important for the business environment. Stockholm Stock Exchange is also one of the largest stock exchanges in Europe.

Key industries and their trends

Sweden is a highly developed industrial country with an especially strong knowledge-based service sector. A variety of industries are thriving, and many of the key industries offer lucrative business opportunities for Finnish companies.

Top five industry sectors in the country by shares of total industry (2020)

| Sector | Employs (%) | Value added (%) | Net turnover (%) |
|---|-------------|-----------------|------------------|
| Wholesale and retail trade | 17,4 | 16,5 | 31,9 |
| Manufacturing | 17,8 | 19,4 | 21,2 |
| Construction | 11,6 | 9,7 | 9,7 |
| Information and communications | 7,1 | 10,2 | 7,5 |
| Professional, scientific and technical activities | 9,7 | 9,8 | 6,2 |

Source: [Share of total non-financial business economy enterprises, employment, turnover, value added by industry \(NACE sections\) 2020 \(scb.se\)](https://www.scb.se/en/press-releases/2021/04/share-of-total-non-financial-business-economy-enterprises-employment-turnover-value-added-by-industry-nace-sections-2020)

The table shows the most important industry sectors in Sweden in terms of turnover and contribution to GDP, based on NACE industry codes.

Most exported products from Sweden 2021 (B SEK)

| | |
|---|-----|
| Vehicles for roads | 211 |
| Medicinal and pharmaceutical products | 100 |
| Other non-electric machines and devices | 95 |
| Mineral oils | 93 |
| Paper, paperboard, and similar products | 82 |

Source: [Sveriges export \(scb.se\)](https://www.scb.se/en/press-releases/2022/01/sveriges-export)

Here you can see the most exported products from Sweden in 2021. Sweden is dependent on trade with other countries. The country has enjoyed a positive trade balance since the 1980s. In 2021, Sweden's export of goods and services augmented to SEK 2507 billion, an increase of 12% compared to 2020. These export industries represent lots of opportunities for Finnish companies.

While traditional industries (such as Metals, Mineral oils – and Forest based products i.e. Paper) are still playing a key role in the economy, they are now transitioning to greener business by leveraging fossil-free electricity, green technological innovations and circular business models. Sweden is also one of the leading European countries in research and innovation, and this reflects directly to industries such as ICT&telecom, medical technology and pharmaceuticals, cleantech and mobility where some of the leading global companies come from the country. The development is seen in the entire country, although the northern part of Sweden is one of the major centers of investments driven by the transformation to fossil-free steel and the emerging battery industry.

In addition to the largest industries there are also plenty of opportunities in other sectors where Finnish companies have a particularly strong offering, key industries and its current trends are summarized below.

Sweden has a strong and successful **manufacturing** sector, including engineering, steel, automotive, telecommunications, electronics, chemical and forestry, but also industrial machinery and equipment, food processing equipment and automation. The manufacturing sector accounts for a significant portion of the country's exports and GDP.

In terms of trends, the Swedish manufacturing industry is focusing on innovation and sustainability. Many companies are investing heavily in research and development to develop new and innovative products. Additionally, there is a growing emphasis on smart industry, sustainability, and companies are adopting eco-friendly manufacturing practices. Another trend in the Swedish manufacturing industry is the increasing use of AI, automation, and robotics. Companies are investing in new technologies to streamline their manufacturing processes and increase efficiency. The Swedish manufacturing industry is well-positioned to continue its growth.

Besides the competitive industrial sector, the **retail and consumer industries** have a major significance to the Swedish economy. Sweden is the largest retail market in the Nordics, and the market is strong and competitive with both international and global Swedish brands and retail chains. The turnover of the retail market was SEK 922 billion in 2022, of which food retail accounted for 40 % and other retail for 60 %. The share of e-commerce of total retail is 15 %. While the Swedish retail has grown for more than 20 consecutive years, the growth in 2022 was driven by inflation and the development of the market is expected to be turbulent in 2023.

In general, Swedish consumers pose high purchasing power and expect the products and services to have high standard. However, as the incomes are squeezed by increasing inflation and interest rates, consumers rein in spending and price is becoming more prioritized in purchasing decisions. This is driving further one of the three major trends in the retail and consumer industries, that is the discount trend. The two other major trends are digitalization and sustainability, that influence both retailers and brands' business models and consumer behavior. As an example, retailers and brands are adjusting business models to become more sustainable and circular, for example by investing in resale. From the consumers' perspective, second hand is becoming increasingly popular, however, the development is driven by better prices, in addition to sustainability concerns.

The **food and beverage industry** is one of the largest industries in Sweden in terms of production value and number of employees. Several large Finnish food and beverage companies have built a well-established position in the Swedish market, and from the export point of view, Sweden is the largest target market for Finnish food exports. Looking at the distribution channels, grocery retail is the largest sector and accounts for roughly 70 % of the total food and beverage market. The turnover of grocery retail was SEK 307 billion in 2022. Foodservice sector accounts for roughly 25 % of the market and convenience sector for the remaining 5 %.

Sustainability, health, and convenience are the top drivers shaping the trends in Sweden as consumers, retailers and other key players in the industry are looking for food and beverage products that are good for people and the planet and that make everyday life more convenient. At the same time, the weakened economic situation is accelerating the discount trend.

The Swedish **life science industry** is one of several core industries of Sweden. The country has a long history of large Pharmaceutical and Medical Device producers, with Research and Development facilities in Sweden. The industry has experienced rapid growth since 2018, with astonishing record-breaking 39.4 % growth in exports in 2022. Thus, pharmaceutical and medical products are now the second largest export industry and create a strong foundation for innovative products and services for the nation's health care sector. Further, Sweden has set the ambition to be world-leader in implementation of digital solutions in Health care, which will demand some reforms to ensure that this will be available for all inhabitants. Sweden is as other developed countries struggling with demographic changes leading to massive increases in healthcare spending in the coming years. Digital solutions will be essential since there is going to be a lack of resources available, regarding personnel in Health- and Elderly care. The need for solutions will rapidly increase creating a business opportunity for Finnish companies, and whether they will access the growing market will partly be determined if the buyers have the right regulatory framework and competence to procure.

Cities and the construction sector are large emitters and thereby key to transform in order to meet the ambitious environmental targets set in Sweden. The national targets, availability of green financing as well as consumer demands and company policy are driving the change for a more sustainable built environment. Circular economy, sustainable materials, building in wood and smart and efficient facility management are some of the measures implemented.

Renewable **energy** production and energy storage are also needed to decarbonize cities and industries. Sweden is a leader in wind power, and many Swedish companies are involved in developing innovative energy solutions. Hydrogen technology is for example being developed and deployed to transform the steel industry, heavy transportation and other applications. Among Swedish CEO:s, 45% state that they are interested in green investments to enable use alternative energy resources. A majority, 51%, are interested in removing carbon dioxide from their company's business model (compared to 30% globally). More than half of Swedish global companies expect changes in their operations due the transition to new kind of energy resources.

Important things to consider when doing business in Sweden

Due to the proximity and historical connections, Finns and Swedes usually find a common tone and mutual trust fast. Still, the Finnish and Swedish business cultures are different. While Finnish technological solutions, innovative mindset and honesty are appreciated, they are not enough to be competitive in Sweden where investments in sales and marketing are needed to cope with the high competition.

Swedes do business by collaborating and through consensus. This can lead to a lot of discussions as reaching wide agreement is an important part of the decision-making process in Swedish business activities. Allowing enough time for meetings and building relationships are key when doing business in Sweden.

Swedish organizations are often flat and strive for harmonic organizational culture. Business meetings are often casual and relaxed. The business environment makes it easy to get started, although the timeline for setting up can be long. Costs for running a business are quite equal to the costs of doing business in Finland. However, companies should be prepared to invest in sales and marketing.

During the recent years, the image of Finland in Sweden had a positive development. The close ties between Sweden and Finland have been strengthened, especially in terms of cooperation within security policy, and the general interest for Finland in Sweden has increased. A survey made in 2023 by Novus, a research

company, shows that even though only one out of ten Swedes consider themselves having good knowledge about Finland, the interest in learning more about Finnish history and contemporary societal development has increased. According to the same survey, Swedes admire Finland's military competence, perseverance, and crisis management skills. Furthermore, 80% of Swedes have a positive view of Finland and considers Finland having a well-functioning society.

Market data sources and other useful links

Country information

- Sweden.se – Official site of Sweden
- [Business Sweden](http://BusinessSweden.com) – Swedish Trade & Invest Council
- Team Sweden regional partners – Regional Investment Promotional Agencies (IPA)
[Samarbetspartners i Sverige - Business Sweden \(business-sweden.com\)](http://Samarbetspartners_i_Sverige_BusinessSweden.com)
- Verksamt.se – Government Services for Businesses
- [FinSve](http://FinSve.com) – Chamber of Commerce
- [Swedish Companies Registration Office](http://SwedishCompaniesRegistrationOffice.com) - Bolagsverket
- [The Swedish Tax Agency](http://TheSwedishTaxAgency.com) - Skatteverket
- [Swedish Agency for Economic and Regional Growth](http://SwedishAgencyforEconomicandRegionalGrowth.com) - Tillväxtverket
- [Granstjänst.se](http://Granstjanst.se) – The North Calotte Cross-Border Advice Service
- [Statistics Sweden](http://StatisticsSweden.com) - Statistics Sweden
- [Ekonomifakta](http://Ekonomifakta.com)- Economic stats provided by Swedish Enterprise
- [National Board of Trade Sweden](http://NationalBoardofTradeSweden.com)- Kommerskollegium
- [Sweden´s Chambers of Commerce](http://Sweden'sChambersofCommerce.com)- Sveriges handelskamrar

Databases with company information

- [Allabolag](http://Allabolag.com) – Corporate information
- [Vainu](http://Vainu.com) – Actionable business data