

# Focus on: Sweden

## International Business Report 2010 – Country focus series

### The recovery

After briefly exiting recession in the third quarter of 2009, Sweden's economy contracted once again in Q4, dashing any hopes of a robust recovery. Weak domestic and global demand has led to a weakening in the private sector that the public sector has been unable to offset. Unemployment has seen a subsequent sharp increase in early 2010.

The key indicators<sup>1</sup> are highlighted below:

- the economy contracted by 0.6 per cent in the fourth quarter of 2009; the contraction of 4.7 per cent across 2009 marked the weakest yearly performance since World War II
- investment remains weak; the 3.3 per cent decline in gross fixed capital formation in the three months to December marked the seventh straight quarter of contraction
- the pace of export contraction appeared to have abated in the three months to September 2009 but fell again by 1.1 per cent in the fourth quarter
- the labour market continues to suffer; the unemployment rate climbed to 9.4 per cent in January 2010, an increase of 2.1 per cent year-on-year.

### Impact on businesses

The Grant Thornton International Business Report (IBR) 2010 surveyed the views of over 7,400 privately held businesses (PHBs) in 36 economies around the world. This report focuses on Sweden, the experiences and attitudes of its privately held businesses and how they have been affected by the economic crisis, along with how they are dealing with recovery, as illustrated in figure 1.

The IBR survey tells us that businesses in Sweden are considerably more optimistic on the outlook for the economy over the next 12 months in 2010, than they were in 2009. The majority of businesses believe that they will see an upturn in the global economy in 2010. Employment expectations are also more optimistic, with a balance of +29 per cent expecting an increase in employment levels. Revenue and profitability expectations have also improved greatly, with the majority of businesses expecting an increase over the next 12 months.



<sup>1</sup> Source: International Monetary Fund, The Economist and Experian.

## Looking ahead

Longer term prospects are favourable and economic growth should outpace the eurozone average further out but the central outlook is that of a gradual recovery, the path of recovery is expected to be weak and exposed to downside risks. After the 4.7 per cent contraction in 2009, real GDP is forecast to rise by 1.6 per cent in 2010 and by 2.1 per cent in 2011, weak rates of expansion are weak compared to recent history.

A swift policy reaction to the crisis has enabled the somewhat normal functioning of credit markets which, alongside a recovery in the housing market, has renewed consumer confidence. Exports should benefit from renewed global growth and post positive growth from mid-2010. However, business investment, which lags the output cycle, is likely to continue to contract and dampen GDP growth in the near term.

Sweden's economy is fundamentally strong, underpinned by a diverse economic base oriented towards higher-value added activities and healthy surpluses on its fiscal and current accounts. Thus, even though economic activity will be weak over 2009-2010, the economy should subsequently recover and follow its long-term growth path.

As the economy exits recession, all businesses will need to face new challenges and take advantage of new opportunities to achieve consolidated growth and lead the way to recovery.

Figure 1: Key indicators for PHBs

Sweden compared to EU and Nordic averages	2009	2010	2010	2010
	Sweden	Sweden	EU	Nordic
<b>Outlook for the economy over the next 12 months</b>				
Balance of optimists over pessimists	-40%	+39%	+7%	+16%
<b>Change in employment levels</b>				
Balance of PHBs expecting an increase over those expecting a reduction	-25%	+29%	-1%	+15%
<b>Constraints on expansion</b>				
Shortage of orders/reduced demand	49%	30%	41%	39%
Availability of skilled workforce	17%	18%	18%	15%

Source: Grant Thornton IBR 2010

Talk to us to find out how we can help you deal with the challenges of a new world economic order.

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# International Business Report results

The Grant Thornton IBR 2010 reveals that privately held businesses in almost all countries are more optimistic about economic prospects for the year ahead. PHBs in Sweden are more optimistic about prospects for 2010 with an increase of 79 percentage points, from an optimism/pessimism balance<sup>2</sup> of -40 per cent in 2009 to +39 per cent in 2010, this was one of the five largest increases.

For the first time in six years, India has been overtaken as the most optimistic country by Chile. Chile now tops the league table with a net balance of +85 per cent (-24 per cent in 2009), India comes in a very close second with +84 per cent, whilst Japan remains at the bottom with a balance of -72 per cent.

Overall optimism amongst businesses globally has risen from 2009; this year a balance of +24 per cent of businesses across all countries are positive about their country's economy, compared to a balance of -16 per cent in 2009.

## Optimism/pessimism

- businesses in Sweden are more optimistic about their country's economic outlook (+39 per cent), compared with 2009 (-40 per cent)
- within the Nordic region<sup>3</sup>, businesses in Sweden observed the largest increase from last year (79 percentage points); compared to 36 and 30 percentage points in Denmark and Finland respectively
- across the EU<sup>4</sup> as a whole, optimism levels increased by 45 percentage points, and the Nordic region average by 55 percentage points.

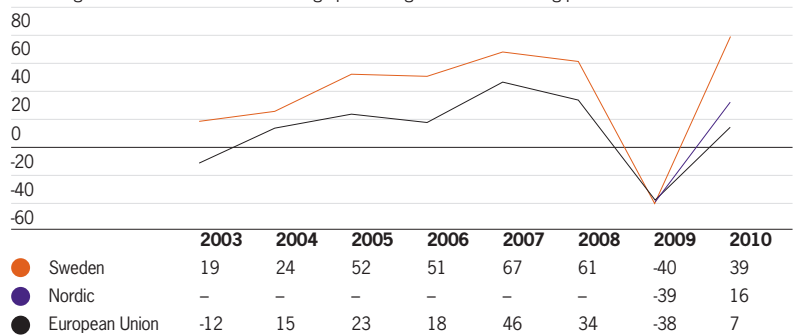
<sup>2</sup>the balance is the proportion of companies reporting they are optimistic less those reporting they are pessimistic.

<sup>3</sup>for the purposes of IBR, the term 'Nordic' refers to those Nordic countries covered by our survey: Denmark, Finland and Sweden.

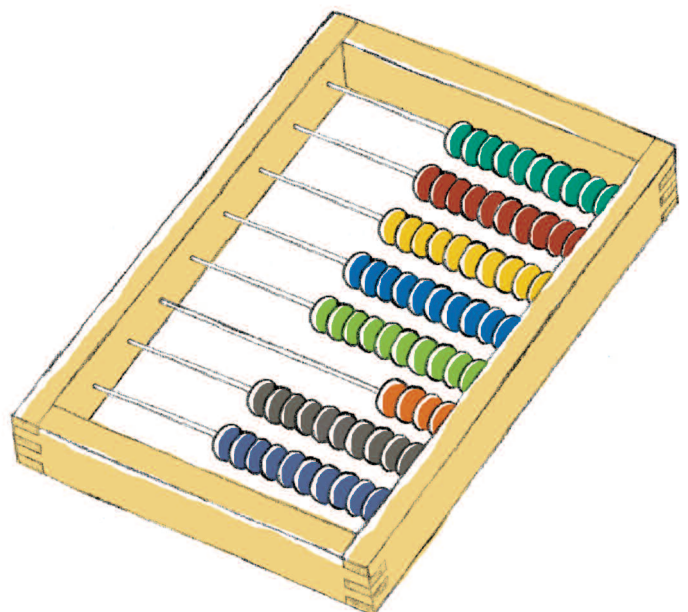
<sup>4</sup>for the purposes of IBR, the term 'EU' refers to those EU countries covered by our survey – Belgium, Denmark, France, Finland, Germany, Greece, Ireland, Italy, the Netherlands, Poland, Spain, Sweden and the United Kingdom.

**Figure 2: Outlook for the economy over the next 12 months: 2003-2010**

Percentage balance of businesses indicating optimism against those indicating pessimism



Source: Grant Thornton IBR 2010

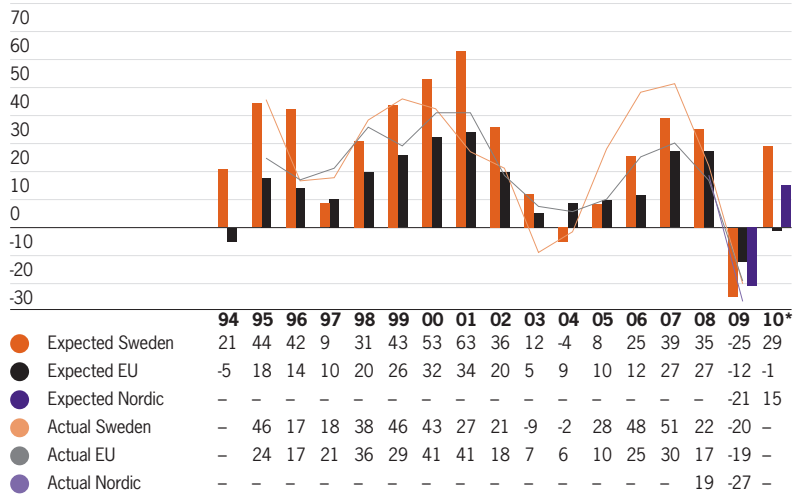


## Employment

- optimism levels regarding employment have improved, with the balance of businesses expecting an increase rising by 54 percentage points
- optimism has not risen so sharply across the EU (11 percentage points) and the Nordic region as a whole (36 percentage points)
- actual employment growth across Sweden in 2009 (-20 per cent) did not contract as sharply as expected (-25 per cent).

**Figure 3: Employment history: 1994-2010**

Percentage balance of businesses



\*2010 data will be documented in IBR 2011

Please note that the expected values are represented by the bars and the actual values by the lines

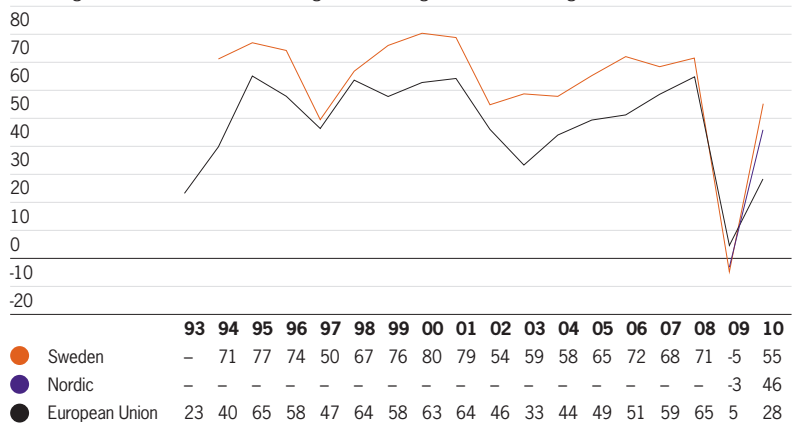
Source: Grant Thornton IBR 2010

## Revenue expectations

- optimism levels regarding revenue prospects have risen in Sweden this year by 60 percentage points, from -5 per cent in 2009 to +55 per cent
- a 23 percentage point increase has been observed in the EU as a whole, less than half the increase in the Nordic region (49 percentage points).

**Figure 4: Revenue expectations: 1993-2010**

Percentage balance of businesses indicating an increase against those indicating a decrease

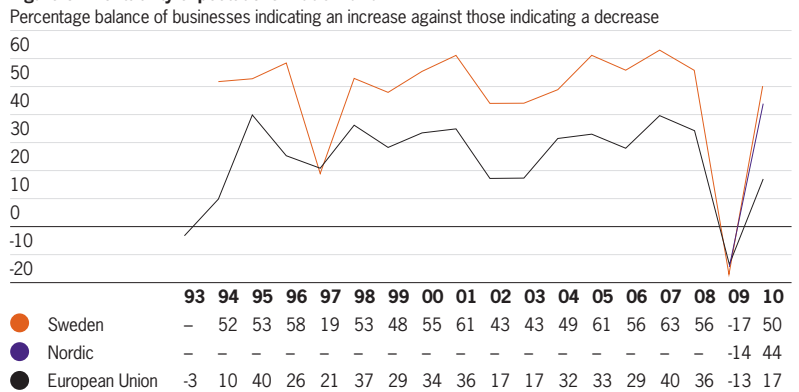


Source: Grant Thornton IBR 2010

### Profitability expectations

- profitability expectations amongst businesses in Sweden have also risen this year (by 67 percentage points) from -17 per cent in 2009 to +50 per cent
- the EU average increased by 20 percentage points, and the Nordic region by 58 percentage points
- businesses in Sweden and across the Nordic region (50 and 44 per cent respectively) are considerably more optimistic than the EU region as a whole (17 per cent).

**Figure 5: Profitability expectations: 1993-2010**



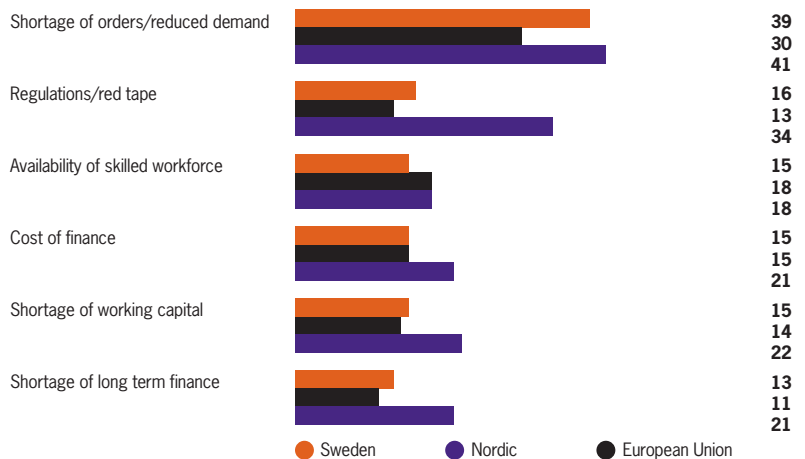
Source: Grant Thornton IBR 2010

### Constraints

- a shortage of orders/reduced demand is by far the greatest constraint on expansion for businesses in Sweden; although at 30 per cent this causes less concern compared to the Nordic region (39 per cent) and the EU as a whole (41 per cent)
- the availability of a skilled workforce is the second greatest concern at 18 per cent, all other constraints cause considerably less concern for businesses in Sweden and the Nordic region as a whole, compared to the EU average.

**Figure 6: Constraints on expansion**

Percentage of businesses rating constraint 4 or 5 on a scale of 1 to 5 where 1 is not a constraint and 5 is a major constraint

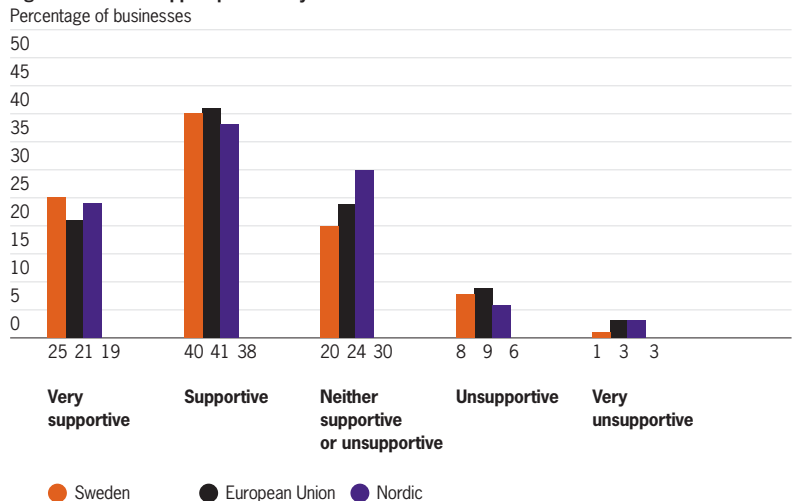


Source: Grant Thornton IBR 2010

### Support of lender

- 65 per cent of businesses in Sweden class lenders as supportive or very supportive towards their business; slightly higher than the EU average and the Nordic average (62 per cent and 57 per cent respectively)
- nine per cent of businesses in Sweden class lenders as unsupportive or very unsupportive towards their business, similar to both the EU and Nordic averages.

**Figure 7: Level of support provided by lenders**

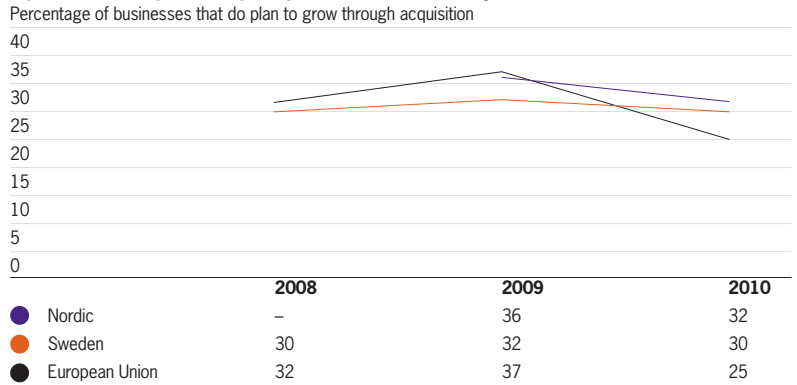


Source: Grant Thornton IBR 2010

### Mergers & acquisitions

- around one-third of businesses in Sweden and the Nordic region plan to grow through acquisition in the next three years; this compares to 25 per cent of all businesses in the EU
- 79 per cent of these businesses expect this to be through domestic acquisition, and 27 per cent through cross-border acquisition
- access to new geographic markets is cited as the major driver behind the acquisition plans of 56 per cent of businesses.

**Figure 8: Plans to grow through acquisition in the next three years**

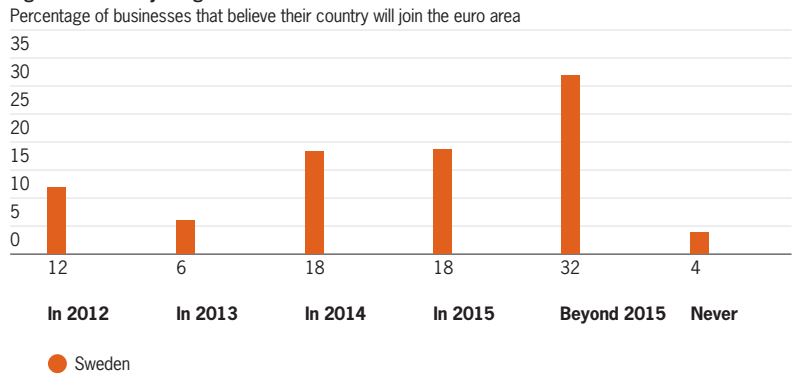


Source: Grant Thornton IBR 2010

### Euro area membership

- just over one third of businesses in Sweden believe their country will adopt the euro by 2014
- just 52 per cent of businesses in Sweden believe their country will be part of the euro area by 2015.

**Figure 9: Sweden joining the euro area**



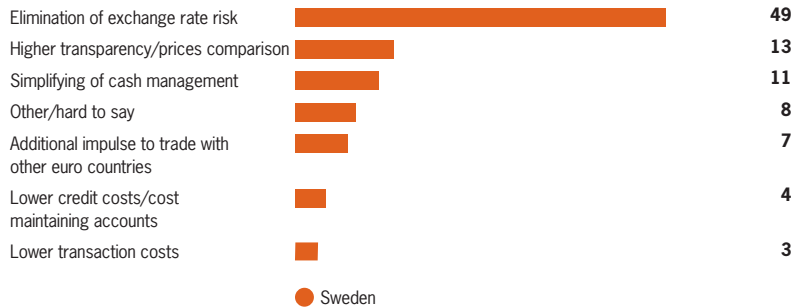
Source: Grant Thornton IBR 2010

### Impact of adopting the euro

- the elimination of exchange rate risk is viewed as the positive impact of joining the euro by businesses in Sweden (49 per cent)
- the simplifying of cash management is cited as the most positive impact of adopting the euro by 11 per cent of businesses in Sweden.

**Figure 10: Most positive impacts of adopting the euro**

Percentage of businesses citing impact as most beneficial



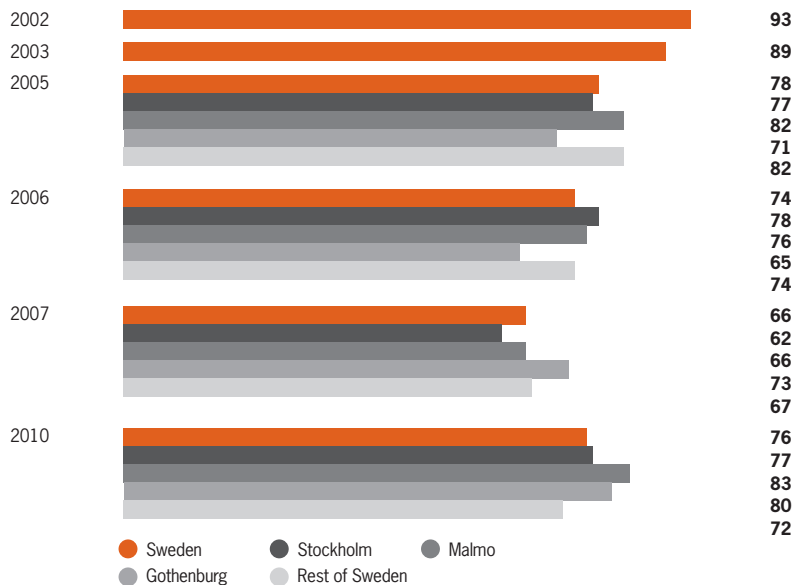
Source: Grant Thornton IBR 2010

### Attitudes towards the euro

- 76 per cent of businesses in Sweden would like to adopt the euro; this is the highest percentage since 2005 (78 per cent), but lower than in 2002 (93 per cent) and 2003 (89 per cent)
- businesses in Malmo (83 per cent) are keener to adopt the euro than the other Swedish regions
- 77 per cent of businesses in Sweden already accept the euro.

**Figure 11: Would your country like to adopt the euro?**

Percentage of businesses answering "yes"



Regional data cannot be provided in 2002 and 2003 as the sample was too small on a regional level at the time. Data is not available for 2004 as this question has not been asked in 2004.

Source: Grant Thornton IBR 2010

**Figure 12: Does your businesses accept the euro as payment today?**

Percentage of businesses answering "yes"



Source: Grant Thornton IBR 2010

The Grant Thornton International Business Report (IBR) is an annual survey of the views of senior executives in privately held businesses (PHBs) all over the world. Launched in 1992 in nine European countries the report now surveys over 7,400 PHBs in 36 economies providing insights on the economic and commercial issues affecting a segment often described as the 'engine' of the world's economy. In Sweden 450 PHBs were surveyed across all industry sectors. These businesses ranged from small to large in size with total employees of between 50 and 499.

To find out more about IBR and to obtain copies of reports and summaries visit: [www.internationalbusinessreport.com](http://www.internationalbusinessreport.com). The site also allows users to complete the survey and benchmark their results against all other respondents by territory, industry type and size of business.

#### Participating economies

Argentina	Japan
Armenia	Malaysia
Australia	Mexico
Belgium	Netherlands
Botswana	New Zealand
Brazil	Philippines
Canada	Poland
Chile	Russia
Mainland China	Singapore
Denmark	South Africa
Finland	Spain
France	Sweden
Germany	Taiwan
Greece	Thailand
Hong Kong	Turkey
India	United Kingdom
Ireland	United States
Italy	Vietnam



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