

# Sweden

## International Business Report 2008 – Country focus

The Grant Thornton IBR 2008 reveals that privately held businesses (PHBs) in most economies remain optimistic about economic prospects for the year ahead. For the fifth consecutive year, India tops the league table as the most optimistic economy with an optimism/pessimism balance<sup>1</sup> of +95 per cent with the Philippines joining them at the top for the first time (also +95 per cent). Japan is still at the bottom this year with a balance of -49 per cent whilst PHBs in Sweden are less optimistic about 2008 (+61 per cent) than they were about 2007 (+67 per cent).

Levels of optimism have fallen amongst European Union (EU)<sup>2</sup> businesses. This year a balance of +34 per cent of EU businesses are positive about their economy compared to a balance of +46 per cent in 2007. However, levels of optimism vary extensively throughout the EU economies with Denmark recording the highest balance with +74 per cent optimistic, while Spanish PHBs are most pessimistic about their economy over the next year (-5 per cent).

### The Swedish economy

After above-trend growth in 2004-06 averaging 3.7 per cent a year, the Swedish economy has decelerated markedly since mid-2007 as exports have suffered from weakness in the United States and other important markets. GDP growth in 2007 dropped below three per cent for the first time since 2003.

However, the economy grew at a healthy pace at the end of last year. The 0.8 per cent quarter-on-quarter increase in GDP was rather faster than expected, as consumer demand remained solid. In conjunction with still robust fixed investment, this offsets the impact of weakening international demand.

Early indications for 2008 suggest that the economy is losing some of the resilience seen in the fourth quarter of 2007. Retail sales in January 2008 rose by just 0.7 per cent month-on-month, while industrial production was up a lacklustre 0.2 per cent.

Moreover, new manufacturing orders were reportedly very modest in the month, suggesting that exports are struggling in the face of weaker demand and rising wage and energy costs. The Riksbank increased its repo rate to 4.25 per cent in February 2008 amid concerns that Swedish inflation would stay well above its two per cent target for some time.



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<sup>1</sup> the balance is the proportion of businesses reporting they are optimistic less those reporting they are pessimistic.

<sup>2</sup> for the purposes of IBR, the term 'EU' refers to those EU economies covered by our survey – Belgium, Denmark, France, Germany, Greece, Ireland, Italy, the Netherlands, Poland, Spain, Sweden and the United Kingdom.

## Business expectations/revenue

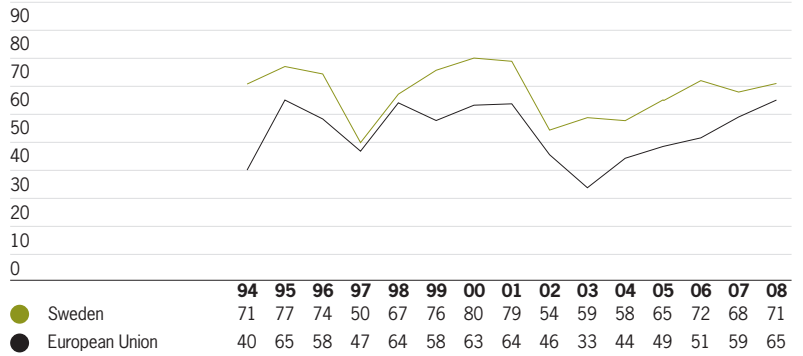
- PHBs in Sweden are slightly more optimistic about their revenue prospects in 2008 (+71 per cent) compared to 2007 (+68 per cent).
- Their levels of optimism regarding revenue performance are above both the EU (+65 per cent) and global (+63 per cent) averages.
- Levels of optimism regarding profitability in 2008 (+56 per cent) represent a seven per cent fall from 2007. However, expectations are above the EU (+36 per cent) and global (+41 per cent) averages.

## Employment

- Expected employment growth in Sweden has fallen slightly from +39 per cent in 2007 to +35 per cent in 2008.
- However, businesses in the EU as a whole remain less optimistic with regard to employment growth in 2008 (+27 per cent) than PHBs in Sweden.
- Actual reported employment growth (+51 per cent) in Sweden was much higher than expected in 2007.

**Figure 1: Revenue expectations for Sweden and the European Union average 1993-2008**

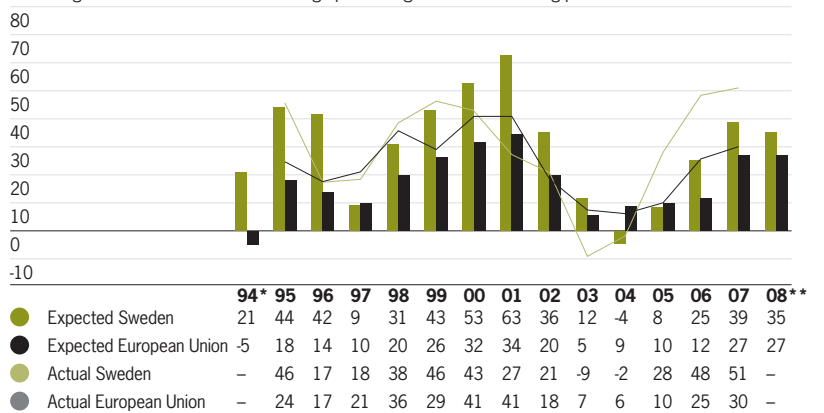
Percentage balance of businesses indicating optimism against those indicating pessimism



Source: Grant Thornton IBR 2008

**Figure 2: Employment history of Sweden and the European Union average 1993-2008**

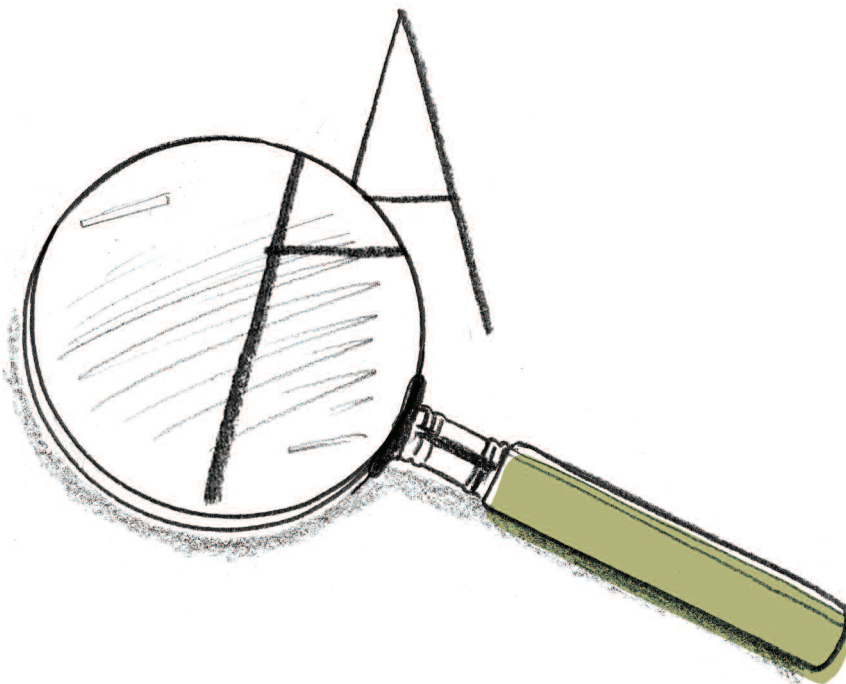
Percentage balance of businesses indicating optimism against those indicating pessimism



\*no data available

\*\*2008 data will be documented in IBR 2009

Source: Grant Thornton IBR 2008



### Constraints

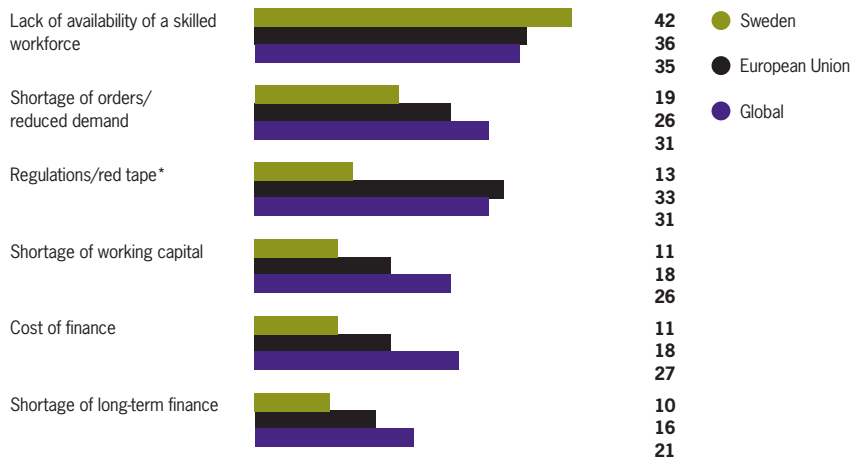
- The availability of a skilled workforce is the constraint restricting expansion cited most by businesses in Sweden (42 per cent).
- One third of businesses in the EU cite the regulations/red tape, compared to just 13 per cent of PHBs in Sweden.
- Around 15 per cent fewer businesses in Sweden cite shortage of long-term finance and the cost of finance than is true of businesses globally.

### Emerging markets

- The most important factor for PHBs in Sweden, when determining whether to invest internationally, as is the case for businesses globally, is market size and growth potential (38 per cent).
- The number of Swedish businesses which export (49 per cent) is below the EU average (53 per cent) but is higher than the global business average (39 per cent).
- Similarly to EU businesses as a whole, 55 per cent of PHBs in Sweden import.
- One-third of PHBs in Sweden see their main source of competition coming nationally, whilst a further third see it coming internationally.

**Figure 3: Largest constraints on growth for Swedish businesses compared to the European Union and the global average**

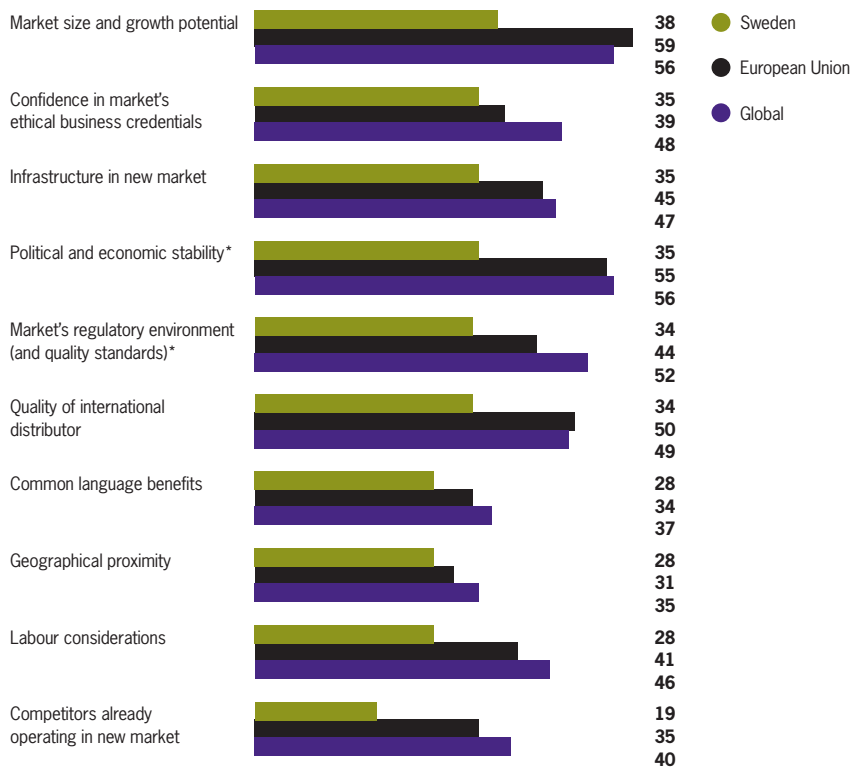
Percentage of businesses rating constraint 4 or 5 on a scale of 1 to 5 where 1 is not a constraint and 5 is a major constraint



\*excluding mainland China  
Source: Grant Thornton IBR 2008

**Figure 4: Importance of factors determining foreign investment**

Percentage of businesses rating level 4 or 5 on a scale of 1 to 5 where 1 is a low priority and 5 is a high priority



\*excluding mainland China  
Source: Grant Thornton IBR 2008

## Competitiveness

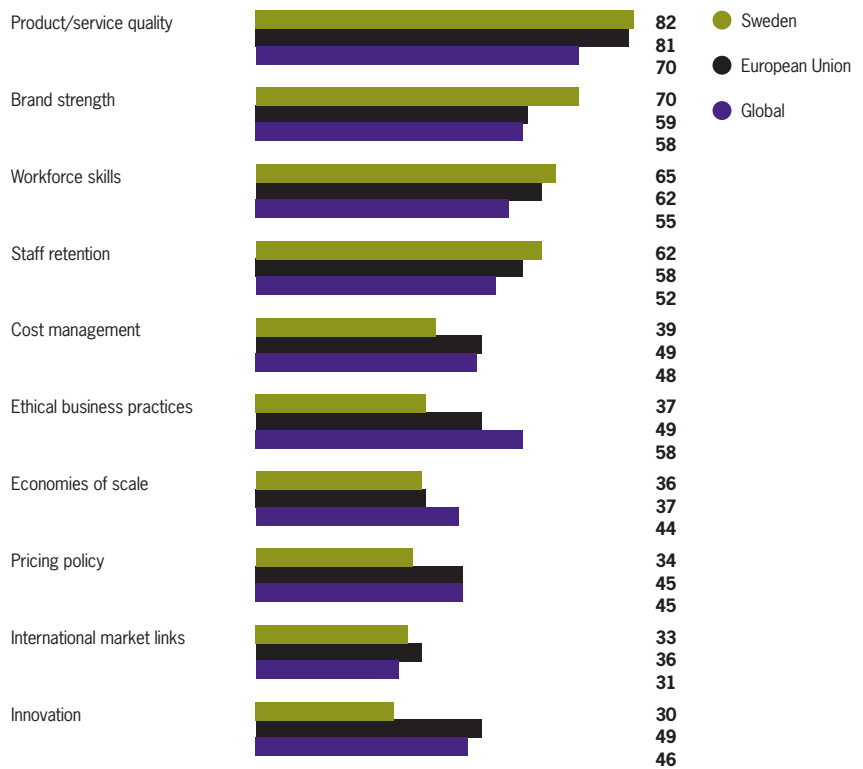
- PHBs in Sweden see their greatest source of competitive advantage as product service quality (82 per cent), as is true of businesses globally and in the EU as a whole.
- 70 per cent of Swedish businesses see brand strength as a source of competitive advantage. This is above the global business average of 58 per cent.
- Innovation is cited by 49 per cent of businesses in the EU as a source of competitive advantage, compared to 30 per cent of PHBs in Sweden.

## Corporate social responsibility (CSR)

- Similarly to businesses globally and in the EU as a whole, the recruitment/retention of staff is viewed as the biggest driver towards more ethical practices by PHBs in Sweden (68 per cent).
- 84 per cent of PHBs in Sweden provided internships/apprenticeships/work experience in the past year, compared to just 67 per cent of all businesses.
- 52 per cent of Swedish businesses have incorporated their policies in to a written CSR document. This is above the EU average of 45 per cent.

**Figure 5: Main sources of competitive advantage for Swedish businesses compared to the European Union and the global average**

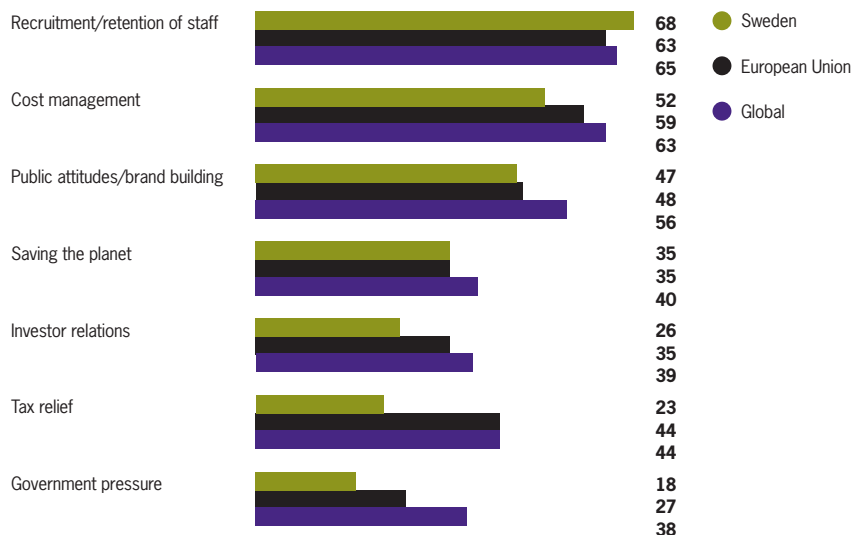
Percentage of businesses rating strength of the advantage 4 or 5 on a scale of 1 to 5 where 1 is not very strong and 5 is very strong



Source: Grant Thornton IBR 2008

**Figure 6: Importance of drivers to more ethical practices for Swedish businesses compared to the European Union and the global average**

Percentage of businesses rating the importance 4 or 5 on a scale of 1 to 5 where 1 is not very important and 5 is very important



\*excluding mainland China

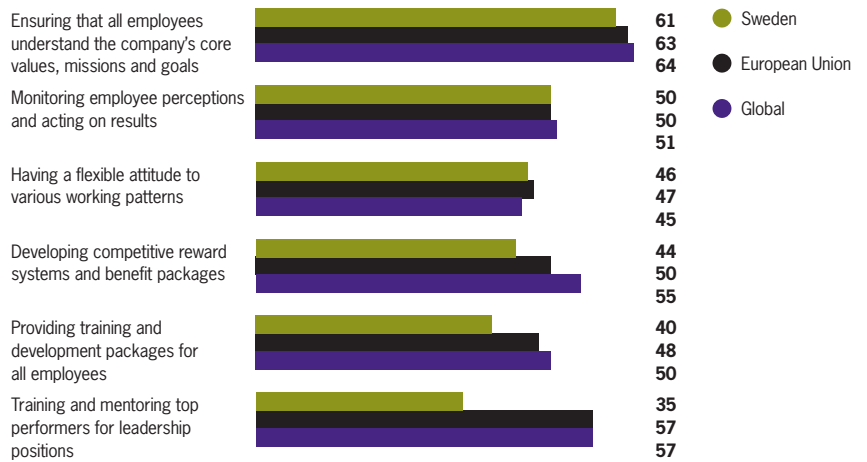
Source: Grant Thornton IBR 2008

## Recruitment and retention

- Similarly to EU businesses in general, the balance of PHBs in Sweden more focused on retention than one year ago is +52 per cent, up from +32 per cent in 2005.
- 61 per cent of PHBs in Sweden ensure that all employees understand the company's core values, mission and goals to aid recruitment/retention.
- Cited by 32 per cent of PHBs in Sweden, an increase in the workload for remaining staff is viewed as the major problem staff retention issues have caused.
- It is costing 36 per cent of Swedish businesses significantly more to pay their staff than it was 12 months ago. This is well below both the EU (58 per cent) and global (63 per cent) averages.

**Figure 7: Usage of recruitment and retention tools for Swedish businesses compared to the European Union and the global average**

Percentage of businesses rating the level 4 or 5 on a scale of 1 to 5 where 1 is not at all and 5 is a great deal



Source: Grant Thornton IBR 2008

# Outlook for the Swedish economy

Domestic demand is easing, dampened by global concerns, at a time when monetary policy is constrained by inflation which is well above target. At the same time the large export sector is suffering in the face of faltering demand from major markets, a strong exchange rate against the dollar and rising input costs. A relatively difficult period could be in prospect.

But the Swedish economy is fundamentally strong and resilient. The fiscal balance is in large surplus and household disposable incomes are rising steadily. Investment, though easing from recent highs, is spurred by good business profitability and still high levels of capacity utilisation. These strengths are likely to ensure that the slowdown in Sweden will be less abrupt than in many other mature economies.

An increase in GDP this year of 2.6 per cent is expected. Expansion at this pace is buoyed by consumer spending (up 2.8 per cent) and investment (up 4.1 per cent), largely offsetting the impact of the slowdown in export growth.

For 2009, GDP growth is expected to pick up slightly as stronger exports outweigh the impact of a marked deceleration in investment. This reflects in part the high interest rates required to combat inflation, which is expected to remain above target throughout this year.

The Grant Thornton International Business Report (IBR) 2008 examines the attitudes, plans and trends of 7,800 privately held businesses in 34 economies across six continents. The Grant Thornton IBR builds on data collected in previous surveys and boasts 16-year trend data for European Union (EU) countries and six year trend data for international economies.

To find out more about the Grant Thornton IBR and to obtain copies of reports, including focuses on emerging markets, corporate social responsibility and recruitment and retention, please visit [www.internationalbusinessreport.com](http://www.internationalbusinessreport.com).

Focus reports are also available for each of the 34 participating economies, as well as regional and global summaries. You can also complete the questionnaire online and benchmark your answers against PHBs around the world by industry, size and geographical location.

**Participating economies**

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



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