



BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN HONG KONG 2022

A REPORT FROM TEAM SWEDEN IN HONG KONG

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FOREWORD

There are currently around 150 Swedish or Swedish related companies in Hong Kong. Some are big and some small and they are active in a variety of business sectors. Many of them have been present in Hong Kong for many years and contributed greatly to the city's development. A good number of them have provided input to this business climate survey. We are grateful for their participation.

The annual Team Sweden Business Climate Survey is an important source of information for companies in Sweden thinking about entering the Hong Kong market, as well as for companies that are already present in the market considering further investments.

Since the last survey was published a year ago, Hong Kong has continued to be significantly impacted by the COVID-19 pandemic, especially during the spring when Hong Kong was hit by the severe fifth wave which sadly took many lives and affected the city in a very serious way, including economically. At the same time the political transformation of the city has continued with the further implementation of the National Security Law and elections conducted under the recently changed election system.

How are the companies doing in this environment and what are their thoughts about the future? The survey tells us that most of them (53 per cent) remain profitable, but that financial performance is generally weakening, especially among smaller companies. Only a third of the responding companies are currently planning to increase their investments.

The companies are pointing to the same basic challenges that were highlighted in last year's survey, in other words the impact of the COVID-19 pandemic and related restrictions, the high cost of rent and property and the ongoing political changes in the city.

The view of the government's handling of the pandemic is significantly more negative in this year's survey compared to last year's. 74 per cent of the responding companies consider the government response inadequate. Uncertainties around COVID policies seem to strongly affect Hong Kong's business climate. The companies consider the lack of a clear COVID exit plan to be the most challenging aspect. Many have been strongly impacted by travel restrictions, limited or cancelled flights, closed borders and mandatory testing and quarantines.

Half of the responding companies consider political developments in the city to have a continued negative impact on the business climate. Among the top concerns are worries about Hong Kong's future status as an international business center, the impact on freedom of speech in the city and on the independence of Hong Kong's judicial system.

The survey tells us that there are nevertheless important advantages in doing business in Hong Kong. The taxation system remains a top advantage and Hong Kong's function as a gateway to Mainland China is also viewed as important. In addition, Hong Kong is still perceived as a highly competitive business environment compared to other international cities. However, the overall positive perceptions have dropped significantly. Uncertainties regarding the government's handling of the pandemic as well as Hong Kong's changing political landscape - in particular the implications of the National Security Law - make some companies consider relocation.

Finally, the survey shows that 86 per cent of the responding companies have "sustainability" as part of their business model. Sustainability plays a significant role in their profitability. We know for a fact that a great portion of the Swedish companies in Hong Kong are leaders in green solutions. They have a lot to contribute to Hong Kong's further development towards carbon neutrality and a more sustainable future. We look forward to that work!

Hong Kong, June 2022



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EXECUTIVE SUMMARY



SAMPLE SELECTION

- 54 per cent** of Swedish companies in Hong Kong responded to the survey.
- 44 per cent** are in the professional services industry.
- 47 per cent** are small companies with less than 250 global employees.



ECONOMIC OUTLOOK

2.3 (down from 2.9 last year) out of 5 – a more negative perception of business climate than previous years.

53 per cent (down from 61 per cent last year) were profitable in 2021.

41 per cent (down from 53 per cent last year) plan to keep their investment unchanged for the coming 12 months in Hong Kong.

&



COVID-19 MEASURES

49 per cent perceive a negative or very negative impact of the past 12 months' political developments on the business climate.

74 per cent (compared to 25 per cent last year) consider Hong Kong government's COVID-19 measures inadequate.

62 per cent would like the Hong Kong government to have a clearer exit plan when handling the COVID-19 crisis.



MARKET INSIGHTS

62 per cent use Hong Kong as a regional HQ for the Asia-Pacific region.

69 per cent rate Hong Kong as highly competitive or on par with other international cities.

Main advantages of Hong Kong are **taxation system, gateway to Mainland China** and **access to key customers/business partners**.



KEY SUCCESS FACTORS

Top success factors are **collaboration with/feedback from customers, sales competence** and **cost efficiency**.

69 per cent believe that the Swedish brand contributes to their business.



SUSTAINABILITY

86 per cent (up from 76 per cent last year) have integrated sustainability in the business model or company strategy.

69 per cent are dissatisfied with Hong Kong government's sustainability policy.

60 per cent (up from 53 per cent last year) have a proactive diversity and inclusion policy.

40 per cent have gender-balanced leadership in Hong Kong.

ABOUT THE SURVEY

The Business Climate Survey for Swedish companies in Hong Kong 2022 is a joint initiative by Team Sweden in Hong Kong SAR (hereafter referred to as “Hong Kong”); The Consulate General of Sweden, Business Sweden, and the Swedish Chamber of Commerce.

The Business Climate Surveys are published regularly in several markets across the world. In Hong Kong, the survey has been carried out annually since 1997 with the purpose to further understand the performance of Swedish companies, their perception towards market conditions, opportunities and challenges that they are facing as well as their outlook on the Hong Kong market.

The participating companies in this survey are either headquartered in Sweden, have Swedish shareholders or owners, are part of a Swedish conglomerate, or have other significant affiliations to Sweden. With participation of high-level representatives from more than 70 Swedish companies, the survey gives a comprehensive perspective on how Swedish companies view the business climate and their own performance in Hong Kong - an important business and trading hub in Asia.

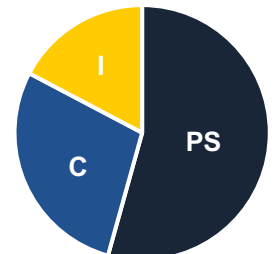
Most of the questions in the survey are similar to previously conducted surveys in order to allow for comparison over time. Nevertheless, some new questions have been added to this year’s survey and some alterations have been made to response options to follow the evolving market. The survey has also been synchronised with the Business Climate Surveys carried out by Team Sweden in other markets around the world to enable comparability where relevant.

Respondents represent a diverse set of sizes, industries and market experience

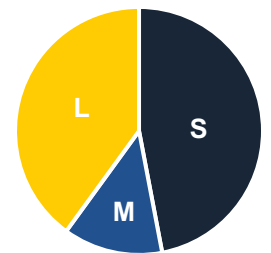
The 2022 survey was conducted during 14 March - 4 April 2022. The response rate was 54 per cent, with 73 respondents out of 134 Swedish companies in Hong Kong invited to participate in the survey. Group discussions were conducted with selected companies for a deeper understanding of the factors driving their responses. Out of the respondents, 47 per cent are small companies with less than 250 global employees. 40 per cent are large companies with a global number of employees of >1,000. The remaining 13 per cent are classified as medium sized with a number of global employees between 250-1,000 employees.

The broad range of business areas represented in this report are grouped into three broad categories: professional services, consumer and industrial. There was a slight change in the industry composition of the respondents this year where the shares of both professional services and consumer industries are larger than last year. 44 per cent (previous year 40 per cent) of the respondents fall within the professional services category, followed by 23 per cent (18 per cent) consumer category, and industrial players make up 14 per cent (15 per cent) of the total responders. The figures represent the overall Hong Kong business landscape as the city is a highly service-oriented economy and consumer industry is one of the most significant contributors to Hong Kong’s economy.

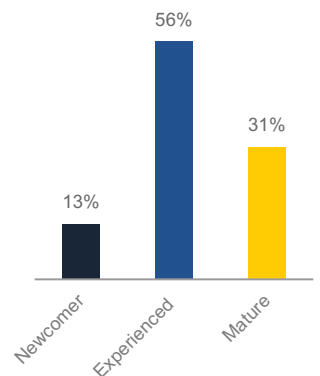
The majority of respondents, 56 per cent, have been present in the Hong Kong market for more than six years, with only 13 per cent representing newcomers (presence in Hong Kong in 2016 or after).



■ Professional services
■ Consumer
■ Industrial



■ Small ■ Medium ■ Large

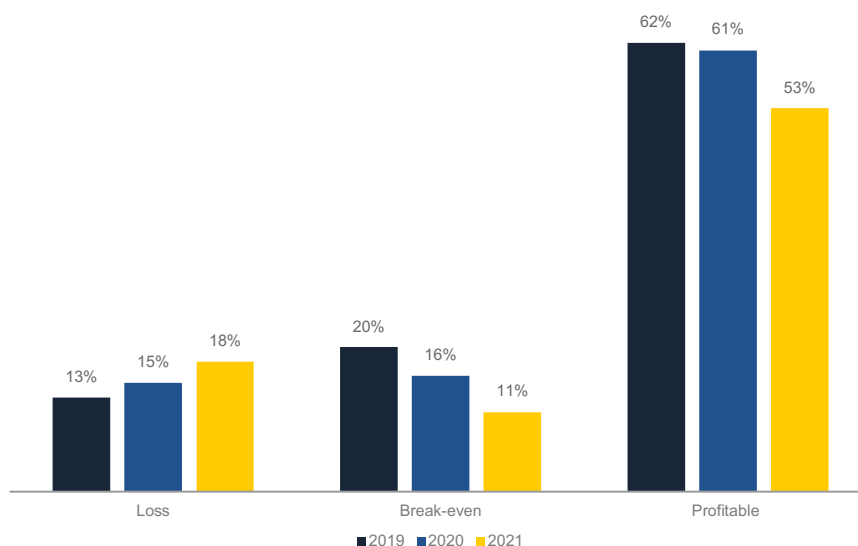


ECONOMIC OUTLOOK

Financial performance is weakening, but most companies remain profitable

Our report confirms a trend of weakening financial performance that has been visible over the last few years. During the fiscal year of 2019, 82 per cent of companies reported making profits or breaking even, in 2020 this figure was 77 per cent. In this year's survey the number is 64 per cent, thus showing a further drop in earnings. Logically, negative turnovers are increasingly common among companies – 18 per cent are losing money. Economic difficulties are more widespread among smaller companies; 32 per cent reported losses compared to 11 per cent and three per cent for medium and large companies respectively. However, it is important to point out that overall, 53 per cent of companies remain profitable.

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN HONG KONG IN 2021?



NOTE: The numbers of respondents for this question were 79 (2020), 62 (2021) and 73 (2022). "Don't know / Not applicable" responses are included but not shown in figure.

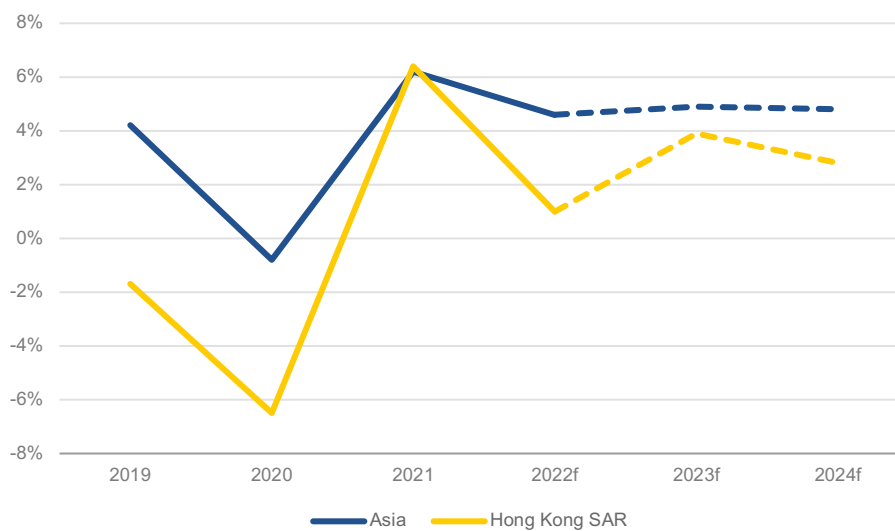
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong 2020-2022, covering the fiscal years 2019-2021.

Strong economic growth in 2021, after two years of contraction

GDP is forecasted to grow by 2 to 3.5 per cent in 2022

Hong Kong SAR's GDP increased by 6.4 per cent in 2021, the strongest calendar year economic growth since 2010. However, due to the past two years economic contraction caused by the social unrest in 2019, and COVID-19 in 2020, the economy was still smaller at the end of 2021 than it was at the end of 2018. The government forecasts an economic growth between 2 – 3.5 per cent during 2022, although there is COVID-induced uncertainty around these numbers. The unemployment was 4.5 per cent at the beginning of 2022, a figure that has increased somewhat during the pandemic.

PROJECTED GDP GROWTH IN HONG KONG SAR



SOURCE: Oxford Economics, GDP, real, LCU. 1 April 2022.

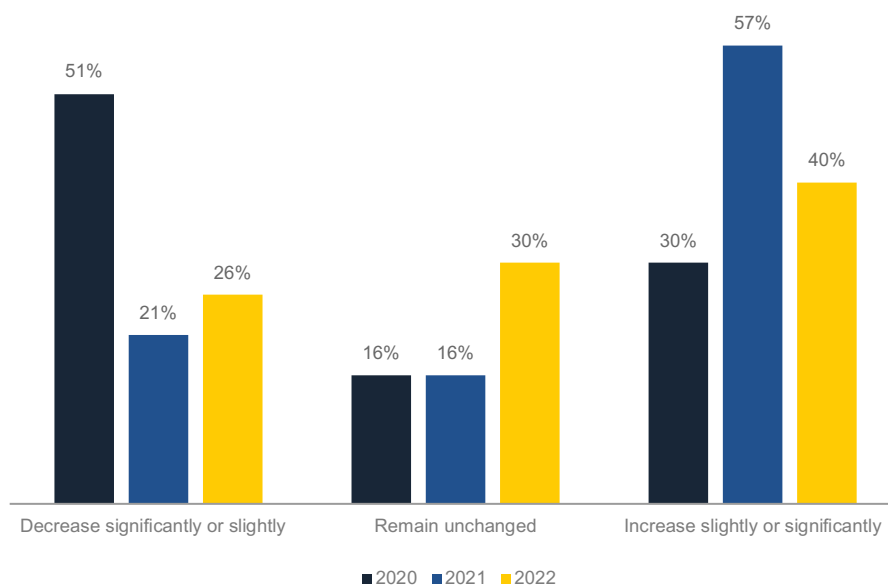
Less optimism about industry turnover

Looking ahead, companies are somewhat divided on what to expect in the coming 12 months: 26 per cent expect turnover to decrease within this timeframe, 30 per cent expect it to stay the same, and 40 per cent are more optimistic, expecting turnover to increase.

Significant differences can be seen across different sectors. Half of the industrial companies expect turnovers to decrease, compared to 31 per cent of businesses from the professional services sector, and 12 per cent from the consumer industry.

Newcomers are the most optimistic: 67 per cent expect industry turnover to increase.

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



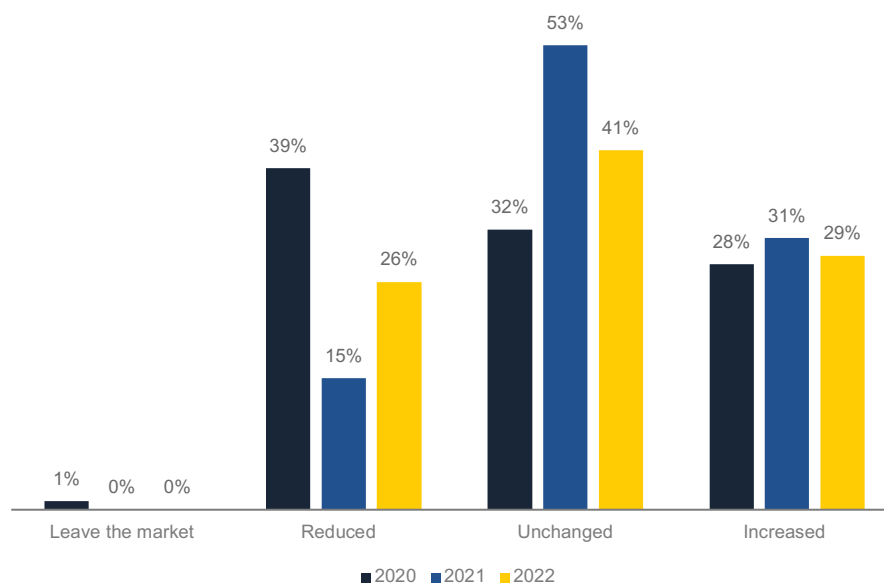
NOTE: Decrease and increase represent aggregations of slight / significant development changes. The numbers of respondents for this question were 79 (2020), 62 (2021), 73 (2022). "Don't know / Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in Hong Kong 2020-2022.

More companies plan to reduce investment

Companies differ in terms of investment plans for the upcoming 12 months. A higher share than last year, 26 per cent (compared to last year's 15 per cent) plan to reduce investment. 41 per cent reported that investment levels will remain unchanged, and 29 per cent that they plan to increase investment.

Small companies have the highest ambitions to increase investment, 35 per cent, compared to 28 per cent of large companies, and 11 per cent of medium-sized companies. No respondent answered that they will leave the market.

WHAT ARE YOUR COMPANY'S INVESTMENT PLANS FOR THE COMING 12 MONTHS IN HONG KONG, COMPARED TO THE PAST 12 MONTHS?



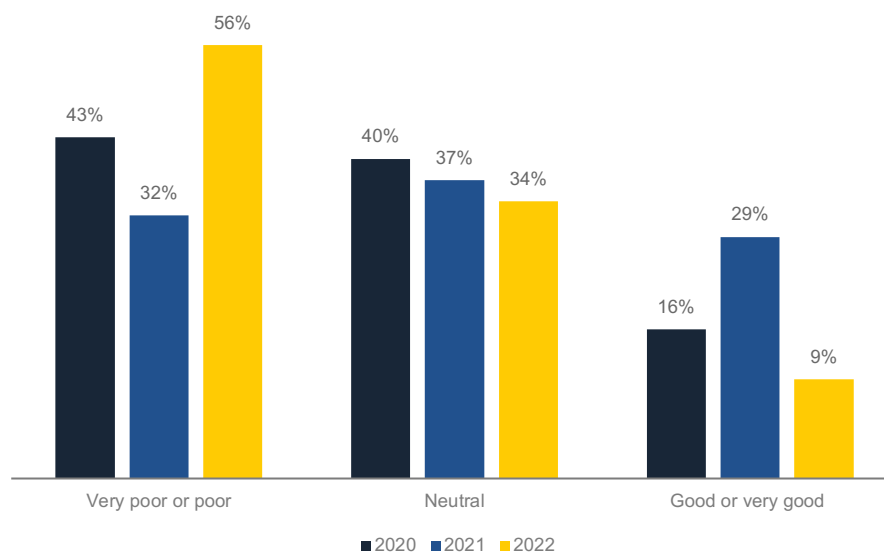
NOTE: Reduced and increased represent aggregation of slight / significant development changes. The numbers of respondents for this question were 79 (2020), 62 (2021), 73 (2022). "Don't know / Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong 2020-2022.

Drastic change of the business climate

The perception of the business climate in Hong Kong has drastically changed for the negative since last year's survey. The share of respondents perceiving the business climate as positive has dropped; a mere nine per cent (compared to last year 26 per cent) consider it to be *good*, and zero per cent (three per cent) to be *very good*. At the same time, the share of respondents having a negative perception has increased significantly; 56 per cent regard the business climate in the city as *very poor* or *poor*, with 20 per cent (five per cent) seeing it as *very poor*, and 36 per cent (27 per cent) as *poor*. 34 per cent are neutral in their views.

Especially highlighted by numerous business representatives – in the survey and during discussion rounds alike – was the Hong Kong government's COVID-19 policy and its negative impact on the business climate.

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN HONG KONG?



NOTE: The numbers of respondents for this question were 77 (2020), 59 (2021) and 70 (2022). "Don't know / Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong 2020-2022.



"Hong Kong's failure to design and communicate a clear COVID-19 exit strategy makes you wonder if the city is serious about maintaining its position as a top international business hub."

Company representative
Swedish company



"Changing legal infrastructure after the national security law, COVID-19 travel restrictions, quarantine, ever changing rules, i.e. great uncertainty."

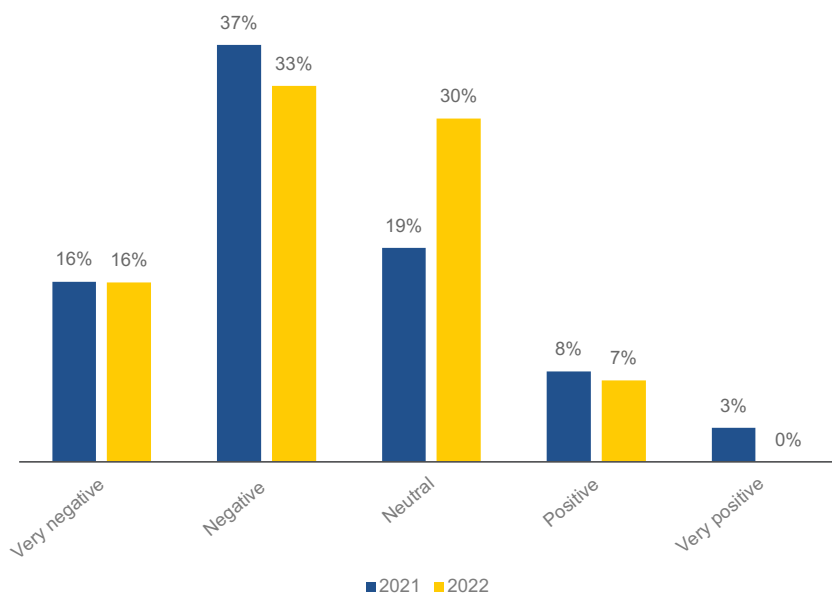
Company representative
Swedish company

The political developments continue to have a negative impact on the business climate

Around half of the respondents, 49 per cent, perceive a *negative* or *very negative* impact of the past 12 months' political developments on the business climate, while around one third of the respondents, 30 per cent (compared to last year 19 per cent), perceive a *neutral* impact. Furthermore, only seven per cent (eight per cent), perceive a *positive* impact, and zero per cent (three per cent), perceive a *very positive* impact.

In short, compared to last year, a shift has occurred from both sides of the spectrum, towards neutrality.

WHAT HAS BEEN THE IMPACT OF POLITICAL DEVELOPMENTS DURING THE PAST 12 MONTHS, INCLUDING THE IMPLEMENTATION OF THE NATIONAL SECURITY LAW, ON THE OVERALL BUSINESS CLIMATE IN HONG KONG SAR?

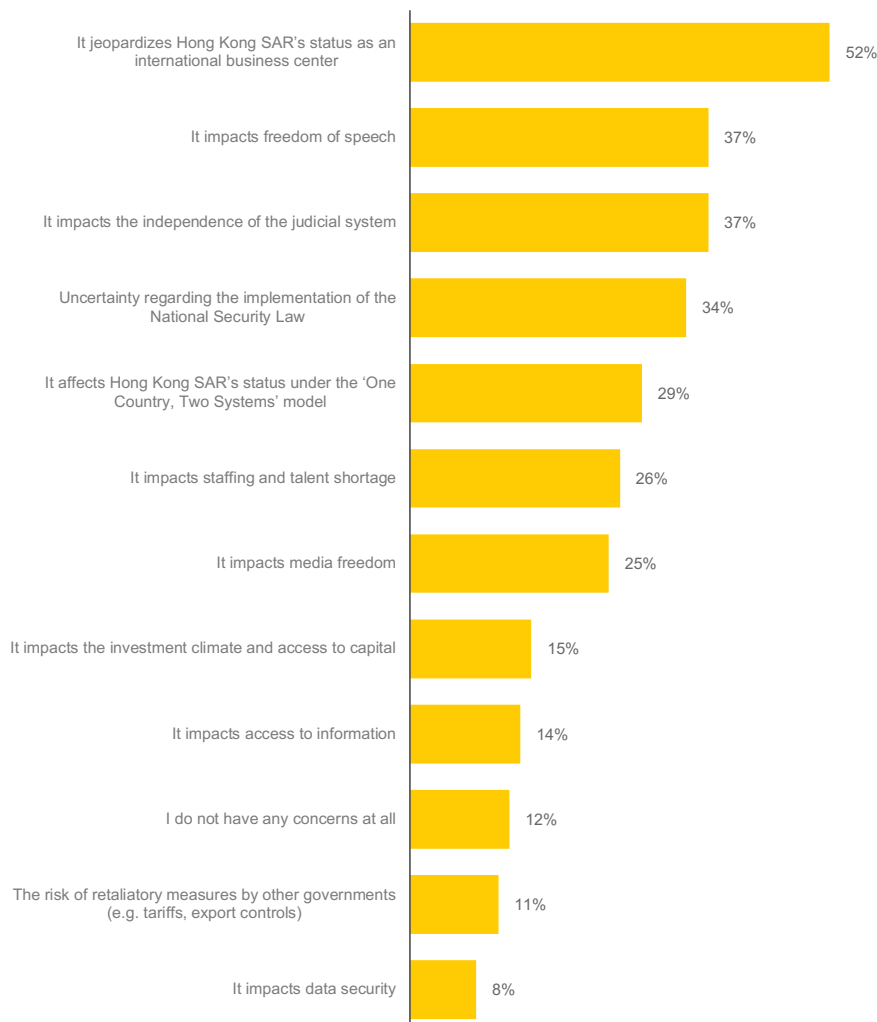


NOTE: The number of respondents for this question was 62 (2021), 69 (2022). "Don't know / Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong 2021 and 2022.

Concern that political developments will negatively affect the business climate

The primary concerns related to political developments in Hong Kong SAR remain largely unchanged among companies compared to last year's survey. Apart from these main concerns, there are two minor changes worth mentioning. Firstly, more respondents (26 per cent compared to 16 per cent in 2021) fear that the political developments may impact staffing and cause talent shortage. Secondly, there is somewhat less of a concern for the risk of retaliatory measures by other governments (tariffs, export controls) (11 per cent compared to 18 per cent last year).

WHAT ARE THE MAIN AREAS OF CONCERN FOR THE OVERALL BUSINESS CLIMATE IN HONG KONG SAR WITH REGARD TO POLITICAL DEVELOPMENTS DURING THE PAST 12 MONTHS, INCLUDING THE IMPLEMENTATION OF THE NATIONAL SECURITY LAW?



NOTE: The number of respondents for this question was 73. "Don't know / Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong 2022.

HOW DO YOU EXPECT THAT POLITICAL DEVELOPMENTS WILL IMPACT YOUR COMPANY'S FUTURE PLANS IN HONG KONG?



”It accelerates the reduction of a difference between Hong Kong SAR and Mainland China. This means that we will simply move to the Mainland faster as there is no real advantage of Hong Kong SAR, and if we need a regional hub outside of the Mainland, we will move to Singapore.”

Company representative
Swedish company



”The biggest problem is when it infects (the legal system) the education sector, then I cannot keep my skilled personal who will emigrate en masse. We will be more careful in monitoring trends and be ready to take actions to move operations if necessary.”

Company representative
Swedish company



“Not much, maybe it does make the case for being in Hong Kong SAR less attractive as PRC cities could be better places when covering Chinese markets.”

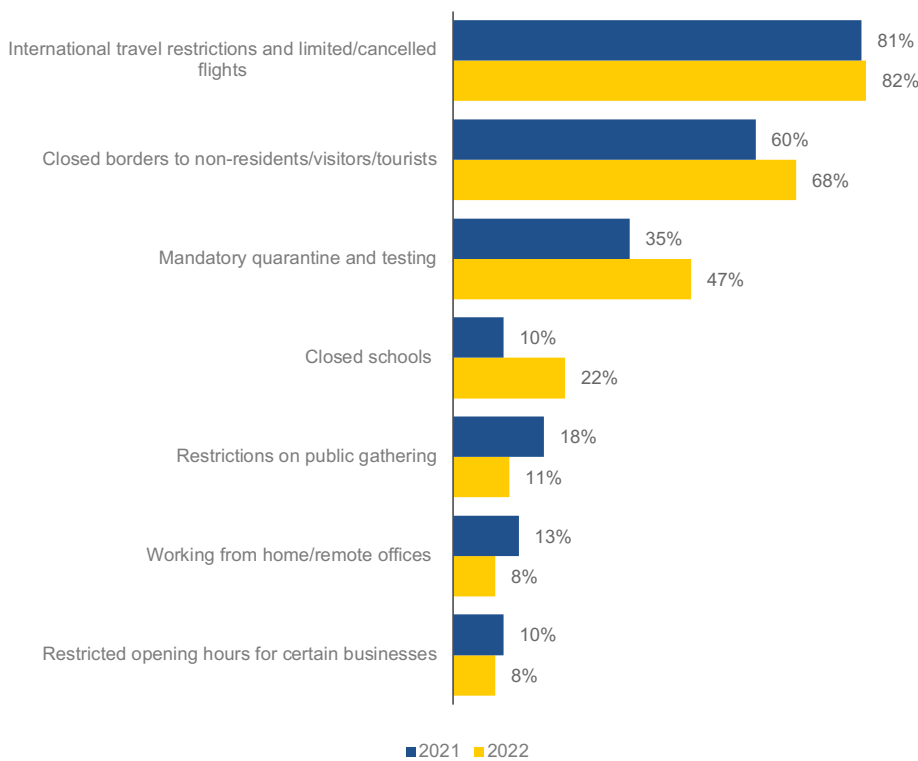
Company representative
Swedish company

COVID-19 MEASURES

COVID-19-related travel policies have the biggest impact on businesses

In terms of COVID-19 policies, the top three measures affecting respondents' businesses are travel related: *international travel restrictions and limited/cancelled flights* (82 per cent), *closed borders to non-residents/visitors/tourists* (68 per cent), and *mandatory quarantine and testing* (47 per cent). Overall, the answers are similar to those in last year's report, except for the larger share of respondents considering *closed schools* to have been a larger issue (22 per cent compared to 10 per cent last year).

WHICH COVID-19-RELATED MEASURES IN HONG KONG HAVE AFFECTED YOUR BUSINESS THE MOST?

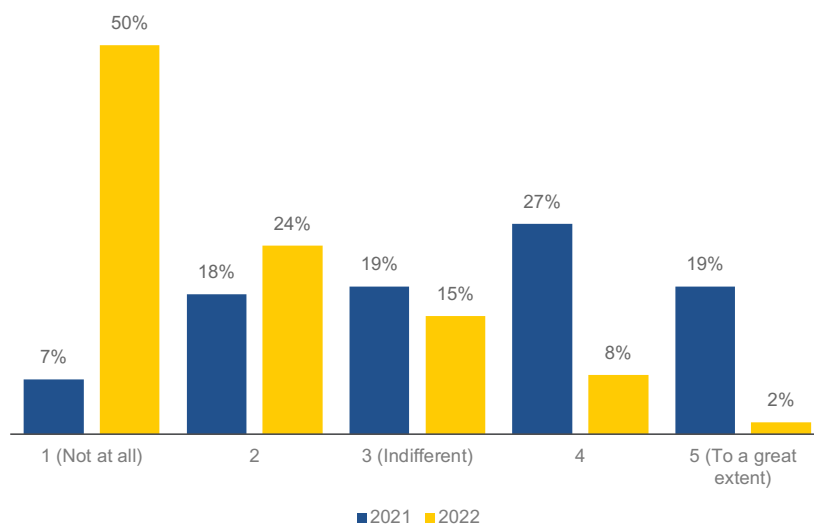


NOTE: Reduced and increased represent aggregation of slight / significant development changes. The numbers of respondents for this question were 62 (2021), 72 (2022). "Don't know / Not applicable" responses are included but not shown in figure.
 SOURCE: Business Climate Survey for Swedish Companies in Hong Kong 2021 and 2022.

The government’s response to COVID-19 is considered inadequate

Attitudes concerning the Hong Kong government’s response to COVID-19 have changed drastically since last year’s survey. Last year almost half of the respondents (46 per cent) considered the government’s COVID-19 measures to have been adequate to some or a great extent, merely 10 per cent agree with such a statement this year. Instead, 74 per cent mean that measures have been partially or not at all adequate; 50 per cent give the measures the lowest possible grade.

DO YOU CONSIDER THE MEASURES TAKEN BY THE HONG KONG GOVERNMENT IN RESPONSE TO COVID-19 TO BE ADEQUATE?

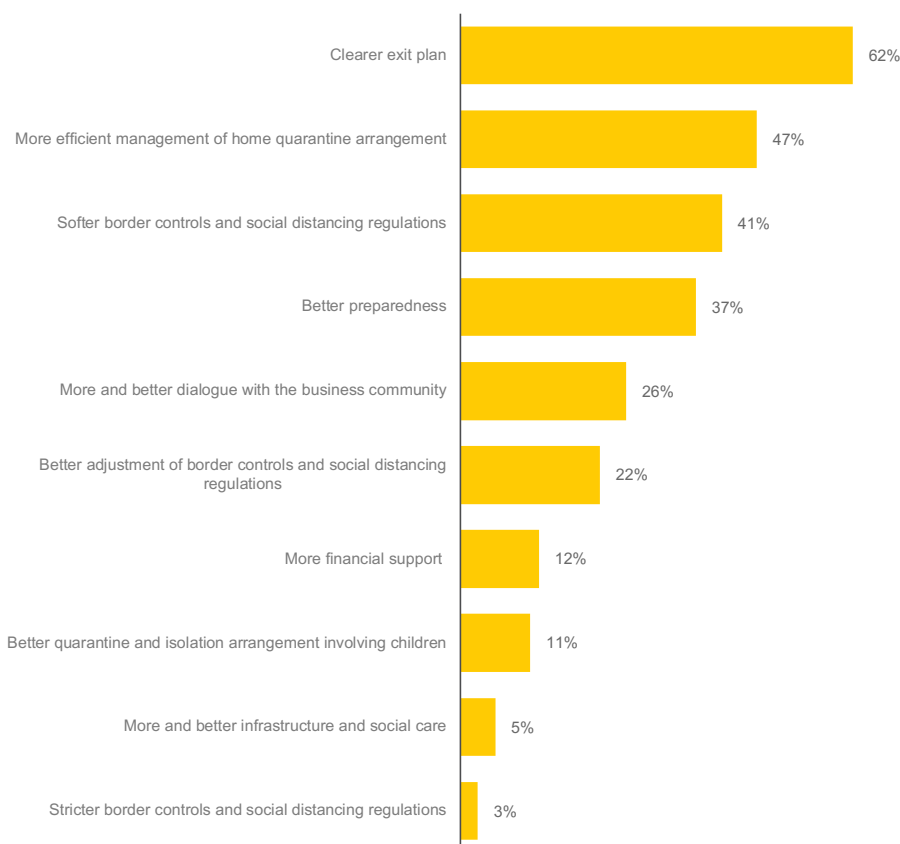


NOTE: Reduced and increased represent aggregation of slight / significant development changes. The numbers of respondents for this question were 62 (2021) and 66 (2022). “Don’t know / Not applicable” responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in Hong Kong 2021 and 2022.

The lack of a clear exit plan is the biggest deficiency

As emphasised by numerous respondents, both in the survey and during discussion rounds, the uncertainty caused by the government’s COVID-19 policies is strongly affecting the business climate in Hong Kong. This is highlighted here once again: Company representatives consider the *lack of a clear exit plan* to be the biggest deficiency of the Hong Kong government’s handling of the COVID-19-crisis, selected by 62 per cent of respondents. Other main areas with significant room for improvement are *more efficient management of home quarantine arrangement* (47 per cent), *softer border controls and social distancing regulations* (41 per cent), and *better preparedness* (37 per cent).

IN YOUR OPINION, WHAT COULD HAVE BEEN DONE BY THE HONG KONG GOVERNMENT IN ITS HANDLING OF THE COVID-19 CRISIS?



NOTE: Reduced and increased represent aggregation of slight / significant development changes. The number of respondents for this question was 73. "Don't know / Not applicable" responses are included but not shown in figure.
 SOURCE: Business Climate Survey for Swedish Companies in Hong Kong 2022.



”We are running the risk of having some of our senior management caught in Hong Kong when their ability to perform is greatly linked to them being able to travel regionally and globally.”

Company representative
Swedish company



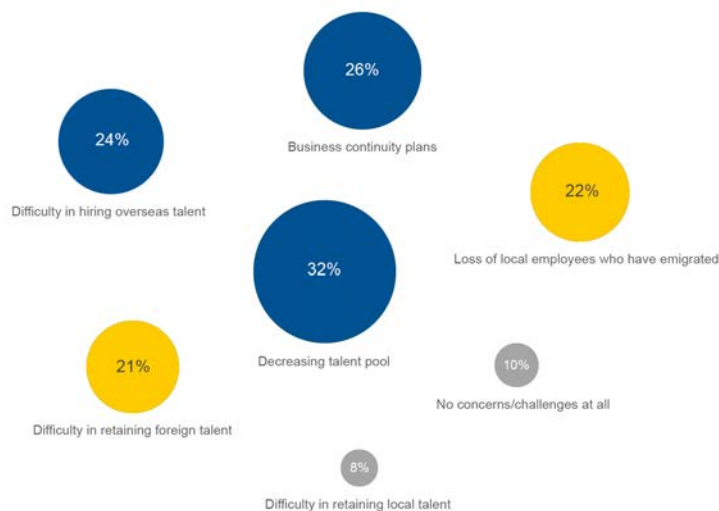
”Travelling is essential for our growth. Unless borders open up we need to look for other options.”

Company representative
Swedish company

A negative impact on talent pool and hiring

Among the respondents, the three most substantial effects on talent retention and recruitment in Hong Kong are a *decreasing talent pool* (32 per cent), *business continuity plans* (26 per cent), and *difficulties in hiring overseas talent* (24 per cent). Retaining talent, both local and foreign, also seems to be an issue, stated by 22 per cent and 21 per cent respectively. It is worth mentioning that *don't know/not applicable* was selected by 27 per cent of the respondents.

HAVE THE COVID-19 MEASURES IMPACTED YOUR COMPANY IN TALENT RETENTION AND RECRUITMENT IN HONG KONG? IF SO, WHAT WERE THE MOST SUBSTANTIAL EFFECTS?



NOTE: Reduced and increased represent aggregation of slight / significant development changes. The number of respondents for this question was 72. "Don't know / Not applicable" responses are included but not shown in figure.
 SOURCE: Business Climate Survey for Swedish Companies in Hong Kong 2022.



”There has been an enormous braindrain. We used to receive around 1, 000 applications per year, now we basically do not receive any at all.”

Company representative
 Swedish company



”No changes to our plans as eventually the Hong Kong SAR government will need to open and on the way that it was structured, it will continue to be the Mainland China/Asia pivot point.”

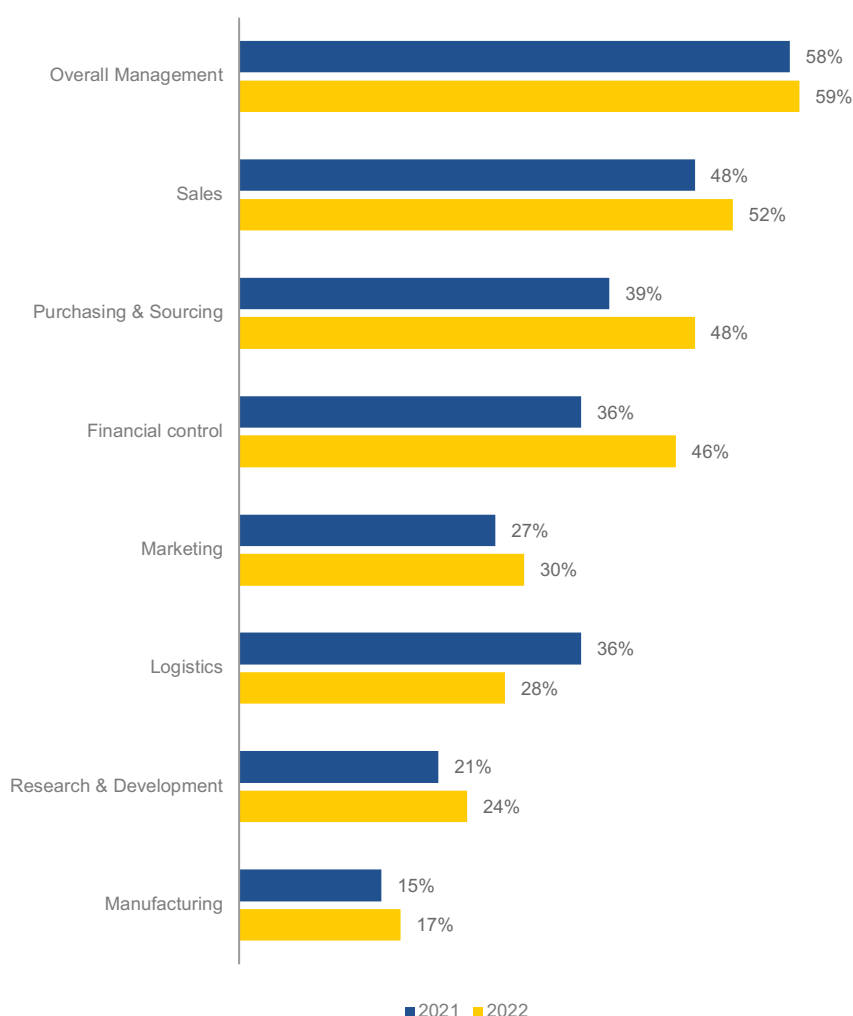
Company representative
 Swedish company

THE MARKET

62 per cent use Hong Kong as a regional HQ for the Asia-Pacific region

62 per cent use Hong Kong as their regional headquarters for the Asia-Pacific region (compared to 53 per cent in 2021 and 63 per cent in 2020). The top four purposes of the regional headquarters remain in the same hierarchical order as in last year's report: *overall management, sales, purchasing & sourcing, and financial control.*

WHAT IS THE PURPOSE OF THE REGIONAL HEADQUARTERS?



NOTE: The number of respondents for this question were 33 (2021), 45 (2022). "Don't know / Not applicable" responses are included but not shown in the graph.

SOURCE: Business Climate Survey for Swedish companies in Hong Kong 2021 and 2022.



“Uncertain business climate due to COVID-19 regulations, as well as the governments’ grip of freedom of speech, national security, and choking of Hong Kong in general. Hong Kong has been ripped of its uniqueness and the reason why we wanted to do business in this particular city.”

Company representative
Swedish company



”Data security, privacy laws, handling consumer data – laws are not very clear and leave room for interpretation, and if you are in an unfavourable light from Beijing there is a risk.”

Company representative
Swedish company



”We still have faith that Hong Kong can remain the regional hub and we are planning to stay, no change. ”

Company representative
Swedish company

Business conditions are still considered favourable

Overall, business conditions in Hong Kong meet companies' needs and are generally favourable. *Corporate taxation* in Hong Kong is the most widely met condition (2021: 2, 2020: 1). *Personal safety* and *physical infrastructure* also figure among the top four, in line with the results from 2021 and 2020. The importance of Hong Kong's financial system climbs to a third place, but this relative gain is due to the worsening of other conditions.

Business conditions are considered less favourable than in the previous two years, marking the continuation of a downward trend. The 2022 business climate survey shows a mild deterioration across the board, with all business conditions mentioned having worsened since last year's survey. Compared with the previous two years, all conditions are on their three-year-low.

PLEASE RATE FROM 1-9 HOW THE BELOW CONDITIONS MEET THE NEEDS OF YOUR COMPANY'S BUSINESS IN HONG KONG:



NOTE: The number of respondents for this question was 73. "Don't know / Not applicable" responses are included but not shown in figure.

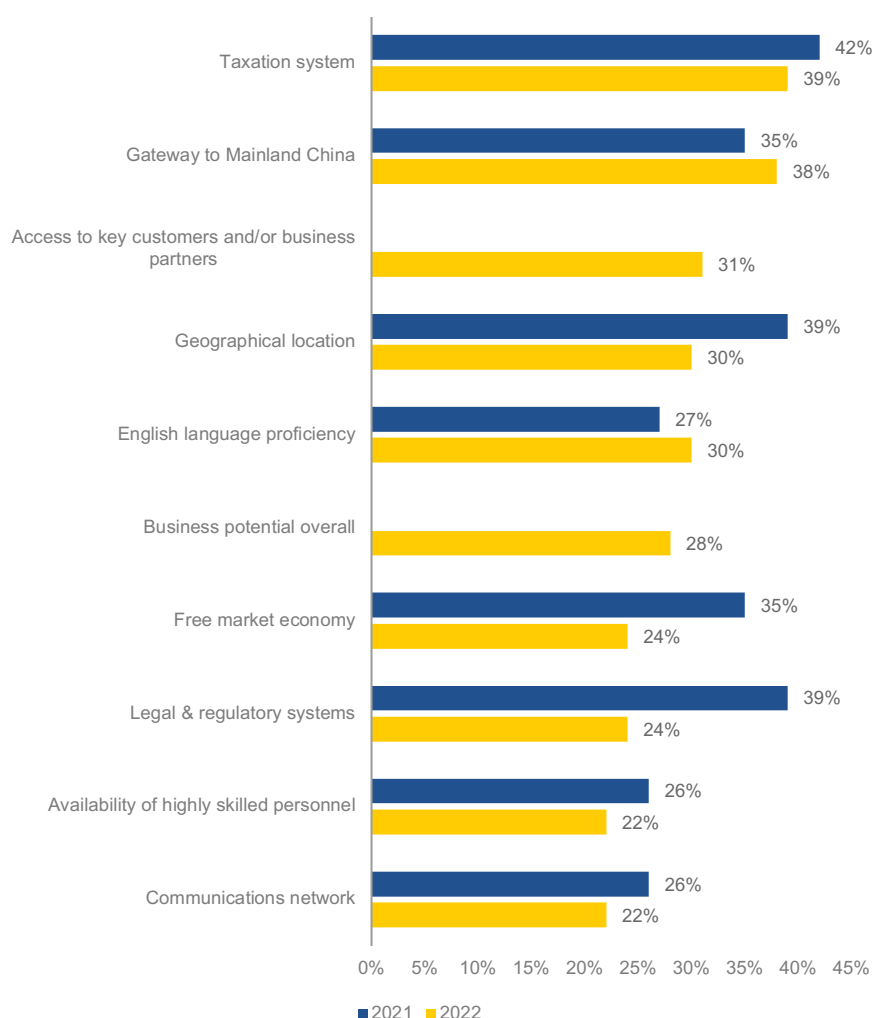
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong 2022.

Previously strong advantages of doing business in Hong Kong are diminishing

The 2022 Business Climate Survey shows a reshuffle of the perceived advantages of doing business in Hong Kong compared to previous years.

In line with survey results from 2021 and 2020, *taxation system* remains a top advantage, as does *gateway to Mainland China*. However, the importance of other previous advantages has diminished. Asked to choose a maximum of five advantages, 24 per cent of the respondents mentioned *legal & regulatory systems*, down from 39 per cent in 2021 and 46 per cent in 2020. The advantage of Hong Kong's *free market economy* displays a similar pattern and so does *geographical location*.

WHICH ARE THE MOST SIGNIFICANT ADVANTAGES OF BEING IN HONG KONG WITH REGARDS TO YOUR BUSINESS ACTIVITY? CHOOSE MAXIMUM FIVE.



NOTE: The numbers of respondents for this question were 62 (2021) and 72 (2022). "Don't know / Not applicable" responses are included but not shown in the graph.

SOURCE: Business Climate Survey for Swedish companies in Hong Kong 2021 and 2022.

Mainland China remains the most interesting market, but interest is declining

Mainland China remains the uncontested number one, but Swedish companies' interest in the market has declined. About 60 per cent of the company representatives rank China as one of their top five interesting markets – a figure that was 64 per cent in 2021 and 75 per cent in 2020. There is a slight change in the top three Asian markets as Vietnam is emerging as equally important as Hong Kong SAR in 2022.

WHICH MARKETS IN ASIA DO YOU CONSIDER MOST INTERESTING FOR YOUR COMPANY IN THE NEXT THREE YEARS?



Top 3 markets ranked by order (last year's rank)

1. (1) Mainland China
2. (3) Vietnam
3. (2) Hong Kong SAR

Other interesting markets ranked by order (last year's rank)

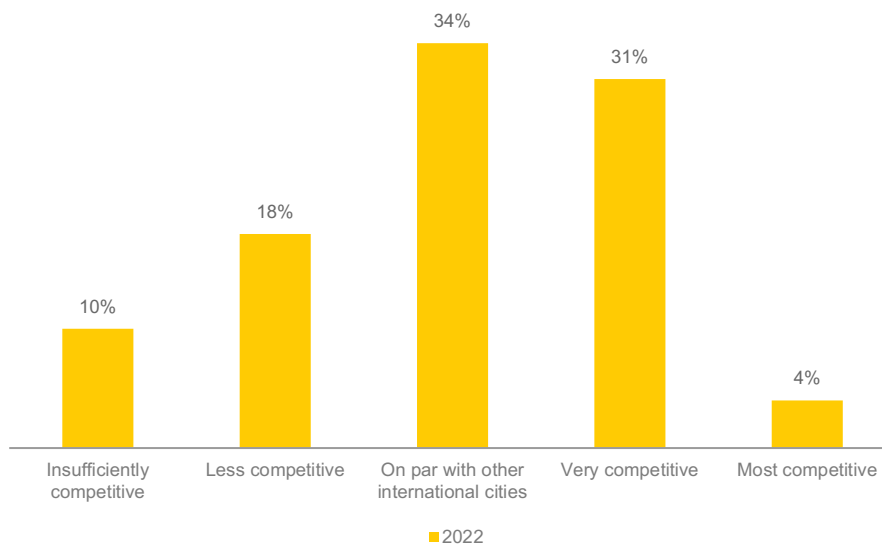
4. (4) Singapore
5. (11) Taiwan
5. (8) India
7. (6) Japan
8. (9) Korea
8. (11) Australia
10. (5) Thailand
11. (7) Indonesia
12. (12) Philippines
13. (10) Malaysia
14. (13) Macau SAR

NOTE: This question had 73 responses. "Don't know / Not applicable" responses are included but not shown in the graph.
SOURCE: Business Climate Survey for Swedish companies in Hong Kong 2022.

Hong Kong is still perceived to be highly competitive

Hong Kong is still perceived to be competitive, despite factors of uncertainty affecting the business climate. 35 per cent of respondents consider Hong Kong to be very, or most, competitive in comparison to other international cities. Only 28 per cent state that Hong Kong is comparatively less competitive.

WHAT IS YOUR ASSESSMENT OF HONG KONG'S OVERALL COMPETITIVENESS COMPARED TO OTHER INTERNATIONAL CITIES IN THE REGION AND GLOBALLY?



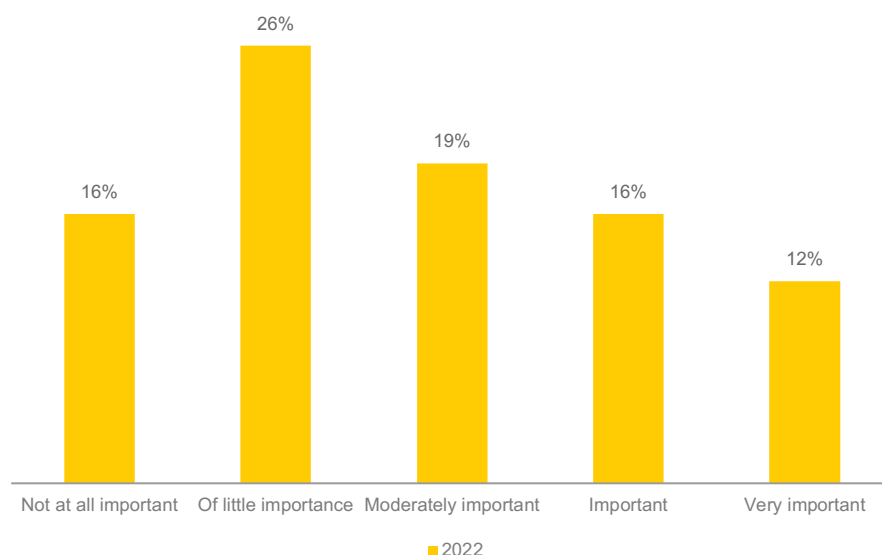
NOTE: This question had 73 responses. "Don't know / Not applicable" responses are included but not shown in the graph.
SOURCE: Business Climate Survey for Swedish companies in Hong Kong 2022.

28 per cent consider the GBA important or very important to their companies' growth prospects

The Greater Bay Area (GBA) integration initiative was launched in 2018, with the aim to integrate the two special administrative regions of Hong Kong and Macau with the nine main cities of the Guangdong province.

Last year's survey describes the overall sentiment towards the GBA as "too early to tell". Our 2022 survey depicts a different reality: 28 per cent of company representatives view the importance of the GBA as "very important" or "important" for their organisation's growth prospects. Overall, around half of the respondents consider the GBA to have importance for growth prospects.

HOW DO YOU VIEW THE IMPORTANCE OF THE GREATER BAY AREA TO YOUR ORGANISATION'S GROWTH PROSPECTS?



NOTE: This question had 73 responses. "Don't know / Not applicable" responses are included but not shown in the graph.
SOURCE: Business Climate Survey for Swedish companies in Hong Kong 2022.



"I think Hong Kong SAR will merge into the GBA and become a part of a much bigger pot. Will it still remain unique? Probably not, but it will be part of a bigger puzzle."

Company representative
Swedish company



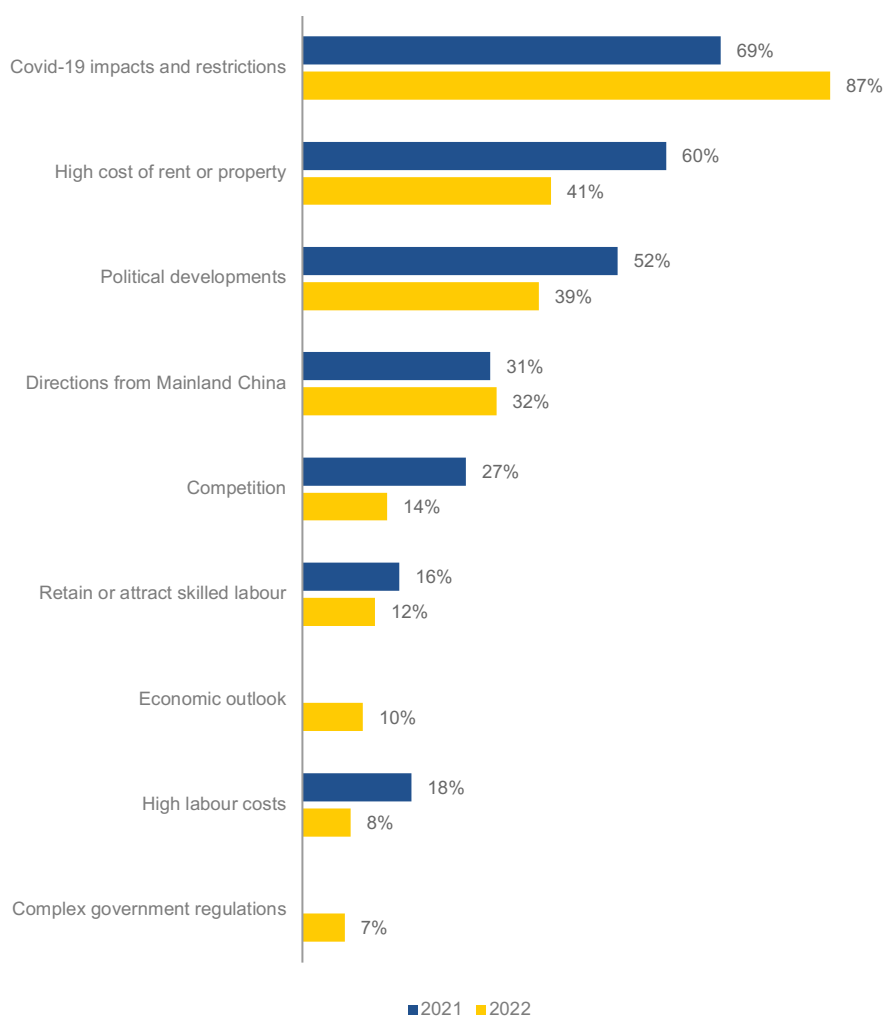
"Logistics certainly will be a benefit and cost saving."

Company representative
Swedish company

COVID-19 impacts and restrictions remain crucial challenges for 87 per cent of businesses

The top three challenges remain unchanged compared to last year. *COVID-19 impacts and restrictions* is the biggest challenge for Swedish companies in Hong Kong, highlighted by 87 per cent of respondents (69 per cent last year). *High cost of rent or property* has figured among the top challenges for many years but has gone down considerably, and *political developments*, also slightly down. *Direction from Mainland China* remains a concern, in line with findings from last year's survey.

WHAT ARE THE TOP THREE FACTORS THAT YOU CONSIDER THE MOST CHALLENGING FOR YOUR BUSINESS IN HONG KONG?



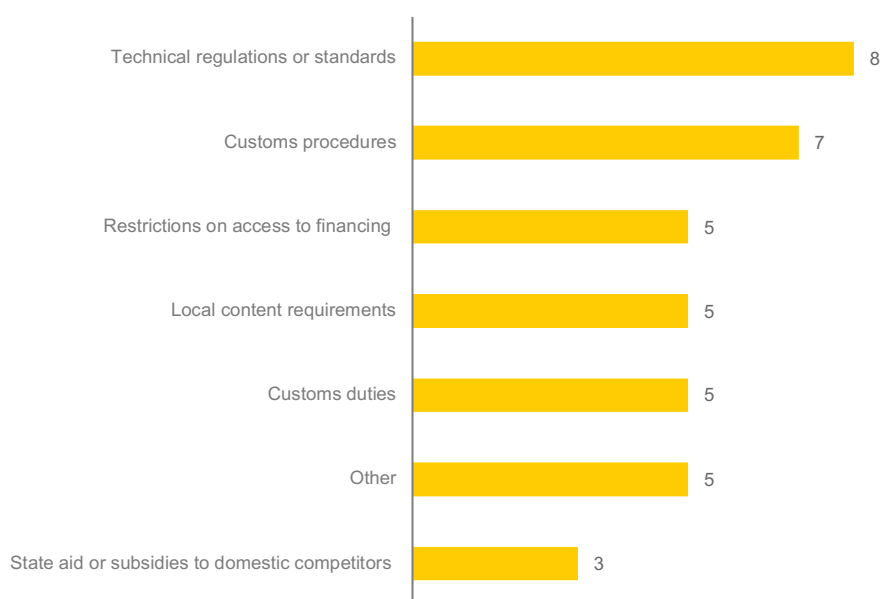
NOTE: The number of respondents for this questions were 62 (2021) and 73 (2022). "Don't know / Not applicable" responses are included but not shown in the graph.

SOURCE: Business Climate Survey for Swedish companies in Hong Kong 2021 and 2022.

27 per cent of companies encountered trade barriers in 2021

27 per cent of respondents stated that their company had encountered trade barriers in the past year. Among these barriers, *technical regulations or standards* and *customs procedures* were the most common. A few respondents expressed having encountered COVID-19 related trade barriers (travel restrictions), which they specified under the *other, please specify* answer choice.

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



NOTE: The number of respondents for this question was 73. The figure shows the number of respondents having encountered the respective barriers.

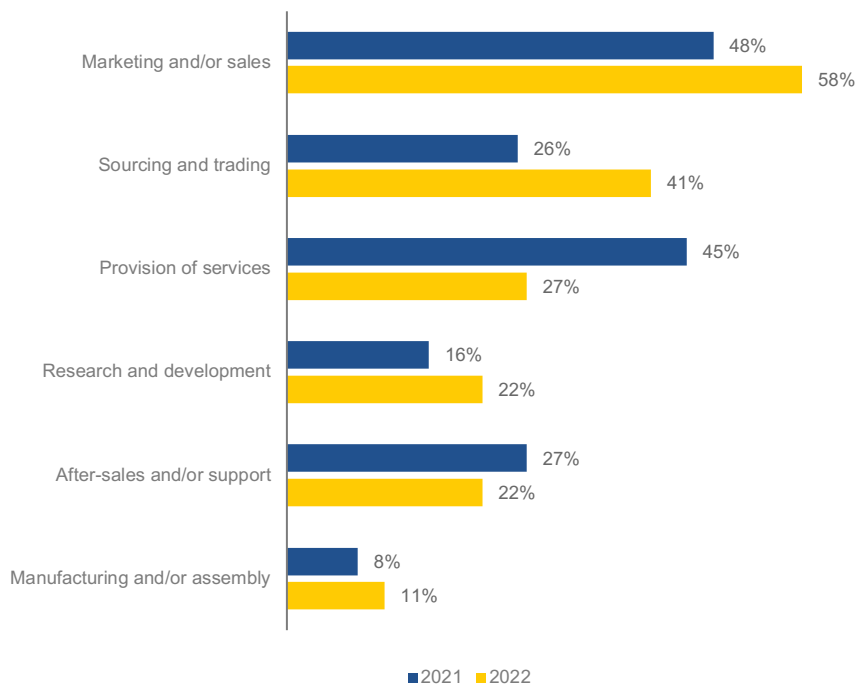
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong 2022.

HOW SWEDISH COMPANIES SUCCEED IN HONG KONG

Swedish companies' operations in Hong Kong

The Swedish companies' main areas of operation have remained relatively stable throughout the past years. However, there have been some changes: more companies carry out *marketing and/or sales* operations, and *sourcing and trading* is up to 41 per cent from 26 per cent last year; there is a decline within *provision of services* from 45 per cent to 27 per cent.

WHAT OPERATIONS DO YOU CARRY OUT IN HONG KONG?



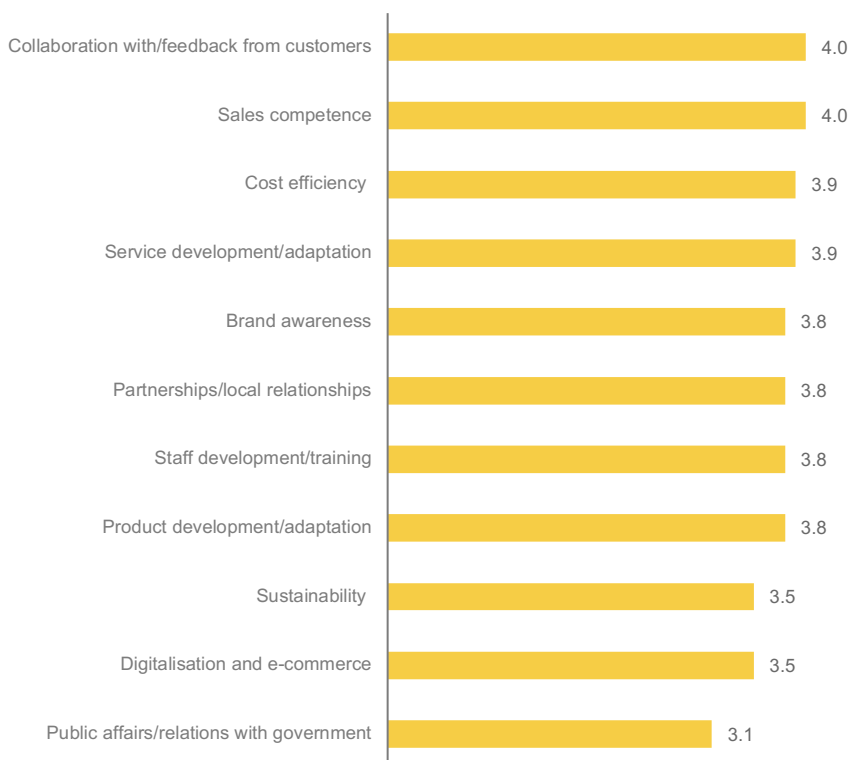
NOTE: The numbers of respondents for this question was 62 (2021) and 73 (2022). "Don't know / Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong 2021 and 2022.

Numerous factors considered important in maintaining competitiveness

Company representatives consider numerous factors to be highly important for competitiveness in Hong Kong. *Collaboration with/feedback from customers, sales competence, and cost efficiency* are considered the three most important ones. But overall, differences in importance between most factors are marginal, although – *public affairs/ relations with government, digitalisation and e-commerce, and sustainability* – are considered slightly less important.

TO DATE, ON A SCALE FROM ONE TO FIVE, HOW IMPORTANT HAVE THE FOLLOWING AREAS BEEN IN MAINTAINING COMPETITIVENESS IN HONG KONG?



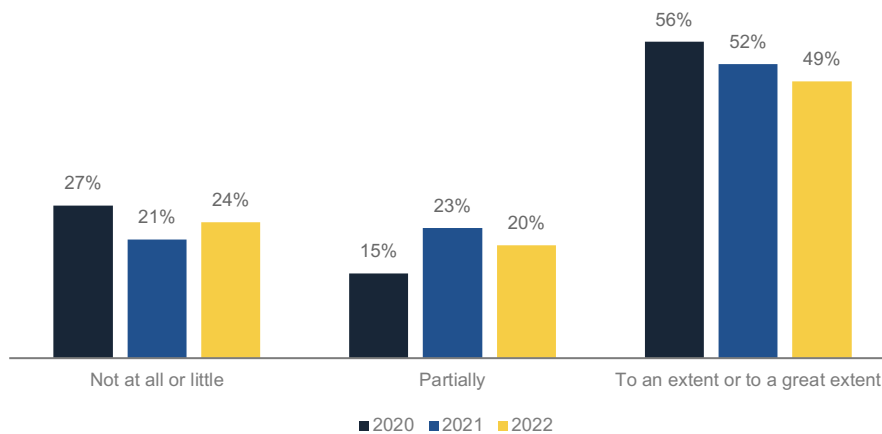
NOTE: The number of respondents for this question was 73.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong 2022.

The “Swedish brand” has a positive effect on business

In line with results from previous years, most company representatives see the “Swedish brand” as a contributing factor to their businesses. 49 per cent consider it to contribute *to an extent, or great extent* and 20 per cent to contribute *partially*.

TO WHAT EXTENT WOULD YOU ESTIMATE THAT THE “SWEDISH BRAND” CONTRIBUTES TO YOUR BUSINESS IN HONG KONG?



NOTE: The numbers of respondents for this question were 79 (2020), 62 (2021), 70 (2022). “Don’t know / Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong 2020-2022.

The “Swedish brand” is associated with positive attributes

In 2021, quality (77 per cent), trust (62 per cent) and sustainability (60 per cent) were ranked as the top three characteristics associated with the Swedish brand. This year’s results show a shift in the rankings of the characteristics. Quality and sustainability have remained among the top three characteristics but trust has dropped from the 2nd top position in 2021 to the 6th position in 2022. Innovation has moved up to be 2nd in 2022.

WHICH CHARACTERISTICS DESCRIBE HOW THE SWEDISH BRAND IS PERCEIVED IN HONG KONG?



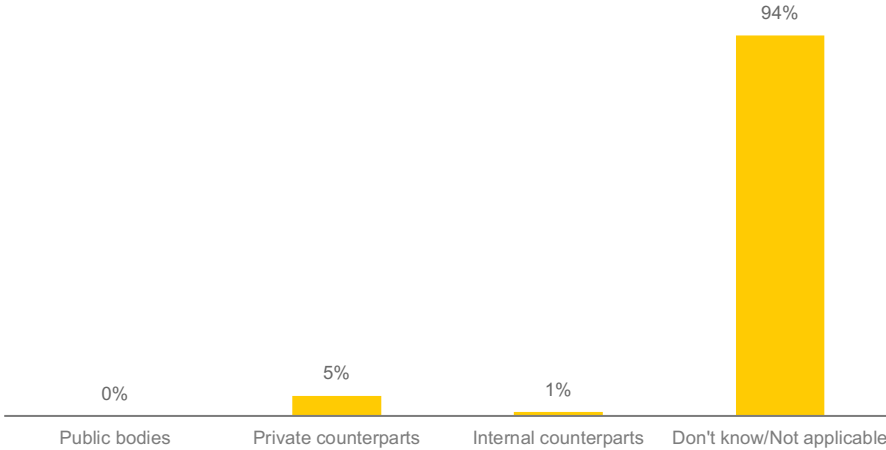
NOTE: The numbers of respondents for this question were 62 (2021) and 73 (2022). “Don’t know / Not applicable” responses are included but not shown in figure.
 SOURCE: Business Climate Survey for Swedish Companies in Hong Kong 2021 and 2022.

ACTING SUSTAINABLY

Low levels of corruption

Hong Kong ranks 12th of 180 countries and territories in Transparency International’s Corruption Perception Index 2021, meaning that in Asia, the territory is outranked only by Singapore. Hong Kong’s high ranking is reflected in our results that are pointing to low levels of corruption. Only five out of the 73 company representatives participating in our survey reported having been exposed to corruption during the last year.

HAS YOUR COMPANY IN HONG KONG BEEN EXPOSED TO CORRUPTION SUCH 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 65.
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong 2022.

Corruption Perceptions Index 2021	
Country:	Ranking:
Denmark	1
Finland	1
New Zealand	1
Norway	4
Singapore	4
Sweden	4
Hong Kong SAR	12
Japan	18
Taiwan	25
South Korea	32
Mainland China	66

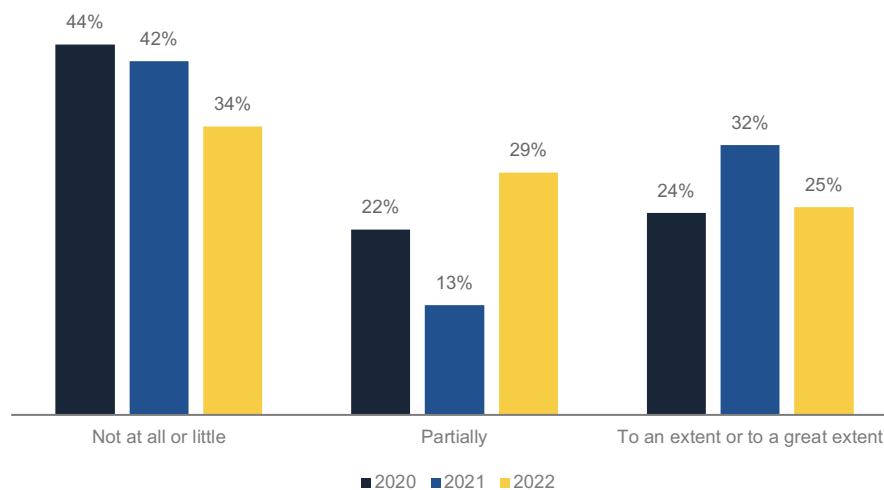
SOURCE: Transparency International 2022

Customers consider the environmental aspects of their consumption

Consumers' attitude toward environmental aspects are changing. The part of respondents answering that customers show much or very much consideration for environmental aspects of product and services has remained relatively stable throughout the last years.

Although our report indicates a growing environmental awareness among consumers, many company representatives highlight that in terms of sustainable development, Hong Kong is still facing significant challenges. Considerable work will be needed to push forward the green transformation in the city. As mentioned in last year's Business Climate Survey, the long road ahead might create more business opportunities for companies with experience and know-how in green solutions.

IN YOUR VIEW, TO WHAT EXTENT DO CUSTOMERS IN YOUR INDUSTRY IN HONG KONG CONSIDER ENVIRONMENTAL ASPECTS OF A PRODUCT OR SERVICE IN THEIR PURCHASING DECISION?

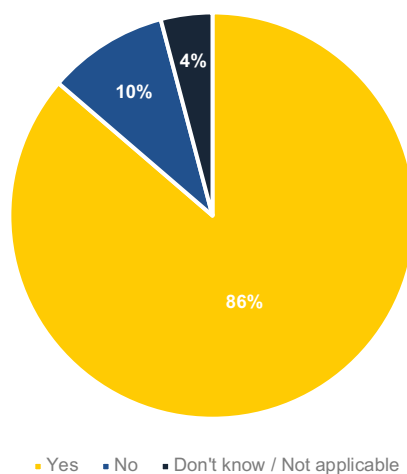


NOTE: The numbers of respondents for this question were 79 (2020), 62 (2021), 70 (2022). "Don't know / Not applicable" responses are included but not shown in figure.
 SOURCE: Business Climate Survey for Swedish companies in Hong Kong 2020-2022.

Sustainability is incorporated into 86 per cent of companies' business models – and is significant to profitability

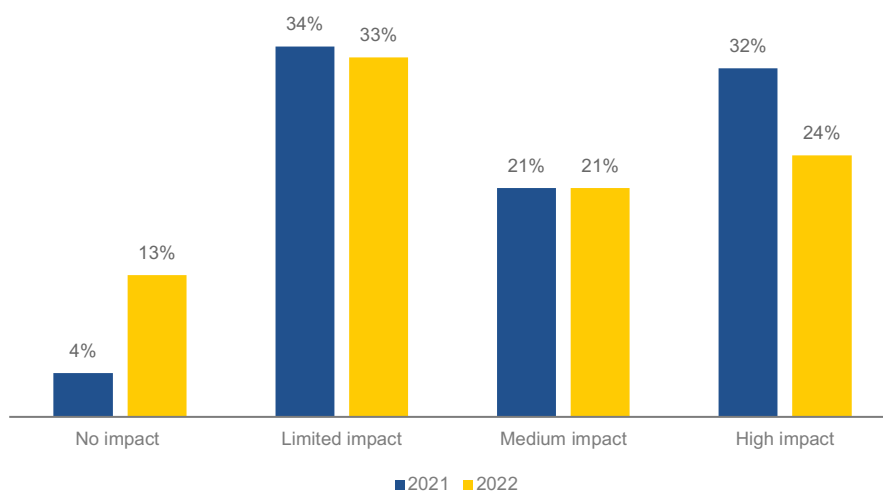
Swedish companies are often seen as pioneers within the field of sustainability, being at the forefront of incorporating sustainable technologies into their business practices. 86 per cent of respondents stated sustainability to be part of their companies' business model. Further, 78 per cent indicated that sustainability impacts profitability, and 45 per cent expressed this impact to be medium to high. Overall, in terms of the above aspects, there have been no considerable changes during the last years: sustainability is, and has been, of significant importance to Swedish companies in Hong Kong.

IS SUSTAINABILITY PART OF YOUR COMPANY'S BUSINESS MODEL OR STRATEGY?



NOTE: The number of respondents for this question was 72 (2022).
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong 2022.

TO WHAT EXTENT DOES THE SUSTAINABILITY WORK CONTRIBUTE TO YOUR COMPANY'S PROFITABILITY?

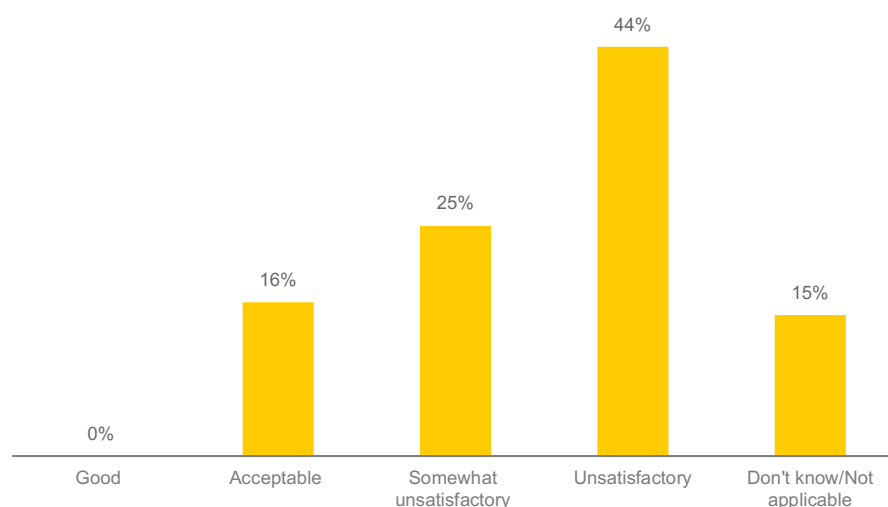


NOTE: The numbers of respondents for this question were 62 (2021) and 72 (2022). "Don't know / Not applicable" responses are included but not shown in the graph.
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong 2021 and 2022.

Government policies on sustainability: there is big room for improvement

The Hong Kong government has an objective of reaching carbon neutrality by 2050. However, company representatives' sentiment, as expressed in our survey, underlines the perceived deficiencies of government policies on sustainability. Out of 73 respondents, no one rates the Hong Kong government's policies on sustainability and achieving carbon neutrality as *good*. 16 per cent see them as *acceptable*, 25 per cent as *somewhat unsatisfactory* and 44 per cent as *unsatisfactory*.

HOW DO YOU RATE THE HONG KONG GOVERNMENT'S POLICIES ON SUSTAINABILITY AND ACHIEVING CARBON NEUTRALITY?



NOTE: The number of respondents for this question was 73 (2022).
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong 2022.



“The overall lack of the holistic view of sustainability is a challenge in Hong Kong.”

Company representative
Swedish company



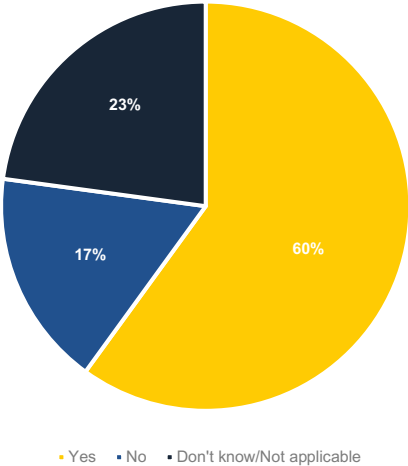
“The biggest challenge is education of the public and lack of recycling facilities. The public does not care about recycling or the planet. And even if they want to recycle, it is not easy. Hong Kong needs a massive sustainability drive.”

Company representative
Swedish company

Most companies have a proactive diversity and inclusion policy

60 per cent (compared to 53 per cent last year) of the respondents indicate that their companies have a *proactive diversity and inclusion policy*, whereas 17 per cent (29 per cent) of the respondents do not have such policies.

DOES YOUR COMPANY HAVE A PROACTIVE DIVERSITY & INCLUSION POLICY?



NOTE: Reduced and increased represent aggregation of slight / significant development changes. The number of respondents for this question was 70.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong 2021 and 2022.

Gender balance not yet achieved

Women continue to be represented in leading positions among Swedish companies in Hong Kong, but gender balance is not yet fully achieved. 40 per cent of the respondents stated that women represent 50 per cent or more of their board, management and/or directors. This result is in line with the Business Climate Surveys in 2020 and 2021.

APPROXIMATELY WHAT IS THE PERCENTAGE OF WOMEN IN LEADING POSITIONS (BOARD, MANAGEMENT, DIRECTORS) IN YOUR COMPANY IN HONG KONG?



Two out of five companies have gender-balanced leadership
(board, management or director level)

NOTE: Reduced and increased represent aggregation of slight / significant development changes. The number of respondents for this question was 70.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong 2020-2022.

Team Sweden

