



Sweden
Sverige



BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN HONG KONG 2023

A REPORT FROM TEAM SWEDEN IN HONG KONG

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FOREWORD

Last year's Team Sweden Business Climate Survey – conducted in March 2022 – was particularly influenced by the impact of the Covid-19 pandemic and related restrictions and uncertainties which companies then saw as strongly affecting Hong Kong's business climate in a negative way. It was a difficult time for everyone. Some in our business community left Hong Kong for other markets. This year's survey – conducted in March 2023 – paints a different picture in various ways. Several negative trends have been reversed. With the end of pandemic restrictions, including on travelling, companies' expectations have improved, performance is rebounding, and investment plans are more optimistic. At the same time, some challenges remain.

Swedish companies continue to have an important presence in Hong Kong. There are currently around 120 Swedish or Swedish-related companies in Hong Kong, and they vary in size and number of years in the market. They cover a multitude of different business sectors, including the financial sector, transportation and logistics, creative industries, and retail. Many of them have been present in Hong Kong for years and have contributed greatly to the city's development. Sixty-six of them have provided input to this survey. We are grateful for their participation. The annual Team Sweden Business Climate Survey provides important information for companies in Sweden considering entering the Hong Kong market and those already in Hong Kong considering further investments.

This year's survey shows that the companies' financial performance is rebounding, and the negative trend from the last few years has stopped, even though performance may not be back at pre-pandemic levels. Turnover expectations have improved, and 38 per cent plan to increase investments, compared to 29 per cent last year. The general view of the business climate has shifted significantly compared to a year ago. From *very poor* or *poor* majority ratings last year, there is now a clear change, with 50 per cent expressing a *neutral* view and 34 per cent indicating a *good* or *very good* perception of the business climate in Hong Kong. As in previous years, Hong Kong gets very high favourability ratings on corporate taxation and personal safety. And when asked about the most significant advantages of doing business in Hong Kong, the companies, in particular, highlight Hong Kong's free market economy and its role as a gateway to and from Mainland China.

Even though pandemic restrictions have been removed, they still seem to have an impact on Hong Kong's business climate. When asked about business challenges, the "Covid-19 impact" remains the top factor for companies. The most important remaining pandemic impact, according to the survey, is companies' difficulties in recruiting and retaining. Other important remaining pandemic effects are a fall in demand for goods and services and delays in delivery and shipping to customers. The most important priorities for Hong Kong in the post-pandemic era, according to the companies, should be to re-establish Hong Kong's international connections, to promote Hong Kong externally and to build a green and sustainable city.

Political developments over the last few years, including the implementation of the national security law, continue to affect Hong Kong's business climate, according to the companies. Even though a majority of the companies reply that their operations have not been directly impacted, around half of them say that the overall business climate in Hong Kong has been *negatively* or *very negatively* impacted by political developments, including the implementation of the national security law. The companies' main concerns, more specifically, are impacts on Hong Kong's status as an international business centre, freedom of speech, media freedom and the independence of the judicial system. It can also be noted that companies' concerns about data security have increased.

Finally, the survey, just like in previous years, shows that most Swedish companies take sustainability seriously. Sustainability is part of their business models, and it contributes to their profitability. In fact, many of the Swedish companies are leaders in green solutions and eager to share their experience and know-how as Hong Kong works towards the goal of carbon neutrality by 2050. They stand ready to continue to contribute to a greener and more sustainable future for the city.

Hong Kong, June 2023



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EXECUTIVE SUMMARY



SAMPLE SELECTION

60 per cent of Swedish companies in Hong Kong SAR responded to the survey.

36 per cent are in the professional services industry.

52 per cent are small companies with less than 250 global employees.



ECONOMIC OUTLOOK

3.2 (up from 2.3 last year) out of 5 – respondents rate the business climate better than in previous years.

58 per cent (up from 53 per cent last year) were profitable in 2022.

41 per cent (same as last year) plan to keep their investment unchanged for the coming 12 months in Hong Kong SAR.

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

44 per cent see the impact of Covid-19 as their main challenge.



MARKET INSIGHTS

61 per cent use Hong Kong SAR as a regional hub for the Asia-Pacific region.

77 per cent rate Hong Kong SAR as more competitive or on par with other international cities.

Main advantages of Hong Kong SAR are **a free market economy, gateway to/from Mainland China** and **access to key customers/business partners** according to the respondents.



KEY SUCCESS FACTORS

Top success factors for doing business in Hong Kong are **cost efficiency, staff development/training** and **partnerships/local relationships**.

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



SUSTAINABILITY

84 per cent (down from 86 per cent last year) have integrated sustainability in their business model or company strategy.

59 per cent (down from 69 per cent last year) are dissatisfied with the Hong Kong SAR government's sustainability policy.



EQUALITY

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

50 per cent have at least 40 per cent women in leadership positions in Hong Kong SAR.

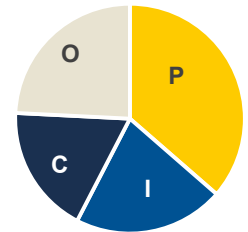
ABOUT THE SURVEY

The Business Climate Survey for Swedish Companies in Hong Kong SAR 2023 is a joint initiative by Team Sweden in Hong Kong SAR (hereafter referred to as "Hong Kong"); Business Sweden, the Swedish Chamber of Commerce, and the Consulate General of Sweden.

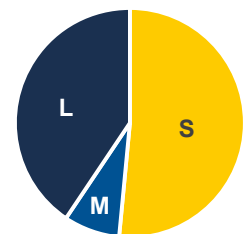
The Business Climate Survey has been carried out in Hong Kong annually since 1997 as part of a global initiative, with reports published regularly in several markets around the world. The aim of the survey is to further understand the performance of Swedish companies, their perception towards market conditions, opportunities and challenges that they are facing, as well as their outlook on the Hong Kong market.

The companies that participated in this survey either have headquarters in Sweden, have Swedish shareholders or owners, are part of a Swedish conglomerate or have other significant affiliations to Sweden. With the participation of high-level representatives from more than 60 Swedish companies in Hong Kong, 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 this year's survey are similar to previous surveys in order to allow for comparison over time. Nevertheless, some questions have been added this year, 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.



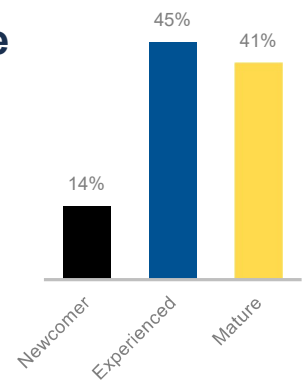
- Professional services
- Industrial companies
- Consumer goods
- Other



- Small
- Medium
- Large

The respondents represent a diverse set of companies in size, industry, and market experience

The 2023 survey was conducted between 13 March-30 March 2023. The response rate was 60 per cent. Out of the 111 Swedish companies in Hong Kong who were invited to take part in the survey, 66 companies participated. Group discussions were conducted with select companies for a deeper understanding of the factors driving their responses. 52 per cent of the respondents were small companies with less than 250 global employees, 41 per cent were large companies with more than 1,000 global employees, and the remaining eight per cent were medium-sized companies with a global number of employees between 250-1,000.



NOTE: Percentages may vary due to rounding numbers

The range of business areas represented in this report was grouped into three broad categories: professional services, consumer goods and industrial companies. The distribution remained similar to previous years, with companies in professional services making up the largest share of respondents at 36 per cent (44 per cent in 2022), followed by industrial companies at 21 per cent (14 per cent in 2022) and consumer goods at 18 per cent (23 per cent in 2022). Professional services have historically made up the largest share of respondent companies which matches the general Hong Kong business landscape.

The vast majority of responding companies, 88 per cent, have been present in the Hong Kong market since 2016 or earlier, while 12 per cent were newcomers (presence in Hong Kong since 2017 or later). This remains similar to last year when the share of experienced/mature and newcomer companies was 87 per cent and 13 per cent, respectively.

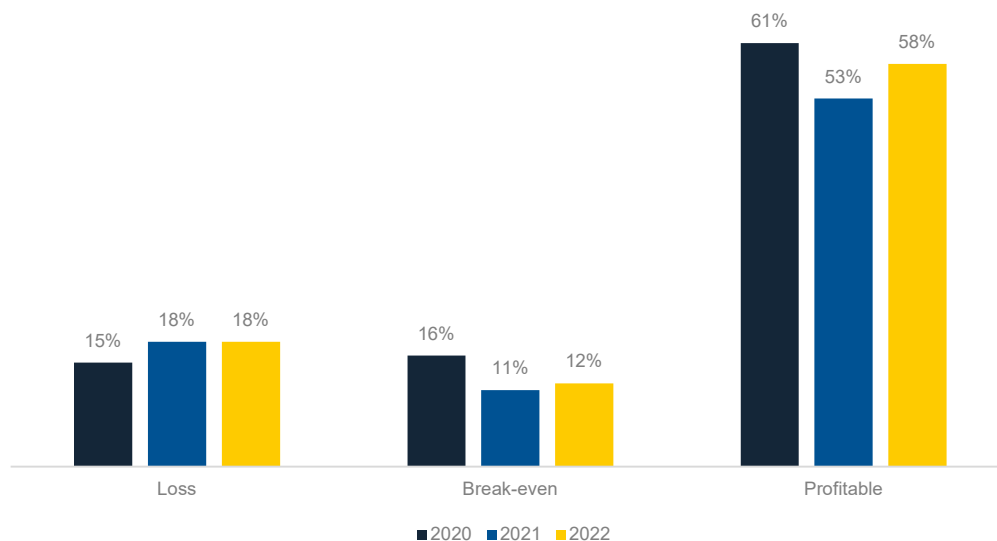
ECONOMIC OUTLOOK

Financial performance is recovering, but losses are still present

The survey showed that the negative trend from the last few years has stopped. During the fiscal year of 2020, 77 per cent of responding companies reported making a profit or breaking even, in 2021, that number decreased to 64 per cent; however, in 2022, the number increased to 70 per cent. While there was an increase both in the number of companies being profitable and the number of companies breaking even, the share of companies who reported a loss in 2022 remained on a similar level to that in 2021.

Separating the respondents by company size, we observe that 21 per cent of smaller companies reported losses, which is an improvement compared to last year (32 per cent). At the same time, 60 per cent of medium-sized companies reported losses in 2022 (11 per cent in 2021). Note that the relatively small number of medium-sized companies responding could affect the result.

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN HONG KONG SAR IN 2022?



NOTE: The numbers of respondents for this question were 66 (2023), 72 (2022) and 62 (2021). "Don't know/Not applicable" responses are included but not shown in the figure.

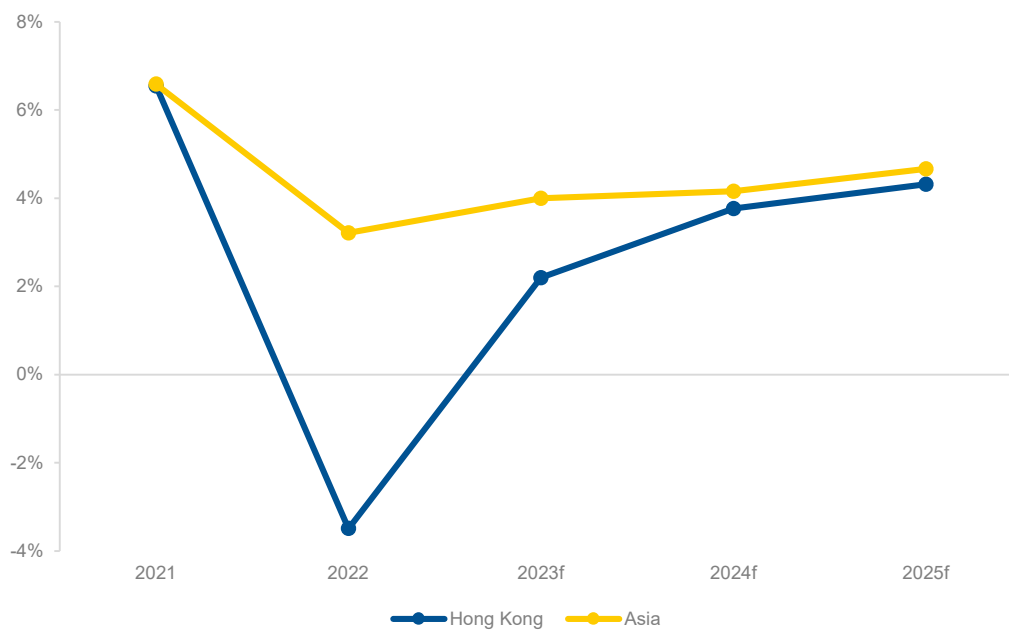
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2021-23, covering the fiscal years 2020-23.

The economy contracted in 2022, but growth is expected in a post-COVID-19 Hong Kong

Hong Kong's GDP contracted by 3.5 per cent in 2022. Economic indicators were pointing upwards in 2021 after two years of contraction, and government forecasts put projected growth for 2022 at between 2-3.5 per cent. However, the continuation of the pandemic instead led to a similar performance to that in 2019 and 2020.

Looking forward, the economy is projected to grow by two per cent in 2023, and growth is expected to accelerate in the coming years. This puts Hong Kong's projected growth below that of Asia as a whole. Unemployment was at 3.3 per cent at the beginning of the year, a decrease from a high of 4.5 per cent at the beginning of 2022 caused by the pandemic.

PROJECTED GDP GROWTH IN HONG KONG SAR



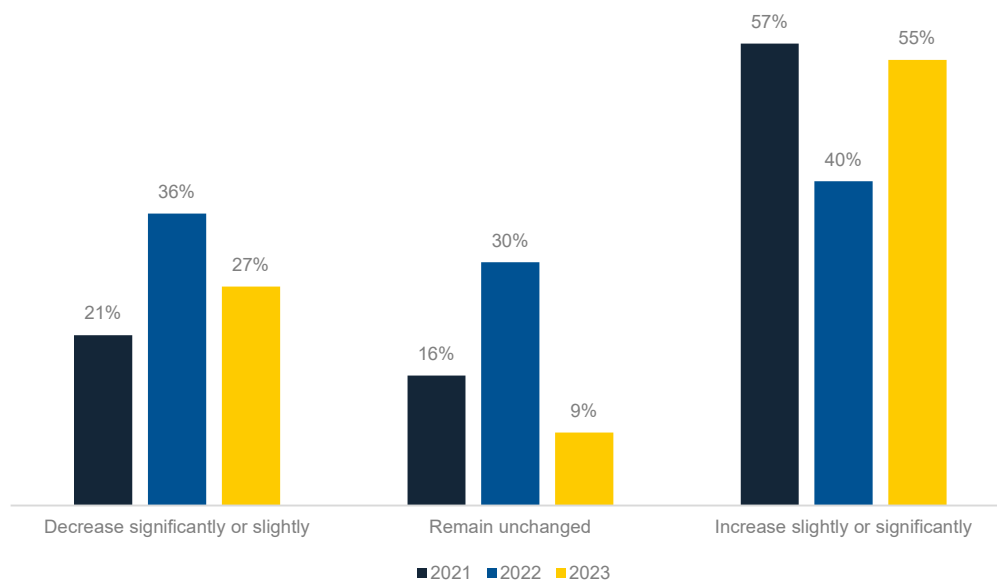
SOURCE: Oxford Economics, GDP, real, annual growth. Last update: 24 April, 2023; Hong Kong SAR Census and Statistics Department

Turnover expectations have improved, but remain divided

Respondents were largely optimistic regarding turnover in the coming 12 months. In this year's survey, the share of companies expecting increased turnover rose to 55 per cent from 40 per cent in last year's survey. Those who expected decreased turnover remained largely unchanged at 27 per cent. However, the share of companies expecting turnover to remain unchanged dropped to nine per cent, significantly lower than 30 per cent in last year's survey and 16 per cent in 2021.

The expected turnover remained similar when separating the companies by size, with small, medium and large companies all falling in the 53-60 per cent span. When separating them by business areas, there are bigger differences, although it still remains largely positive. Looking at the industrial companies, professional services and other business areas, between 60 and 67 per cent of respondents indicated that they expect increased turnover in the coming 12 months, while it was 46 per cent for companies in consumer goods. The share of companies expecting decreased turnover is highest for those in consumer goods and professional services at 36 per cent and 35 per cent, respectively, followed by industrial businesses at 29 per cent and others at 20 per cent.

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



NOTE: Decrease and increase represent aggregations of slight / significant development changes. The numbers of respondents for this question were 66 (2023), 73 (2022) and 62 (2021). "Don't know/Not applicable" responses are included but not shown in the figure.

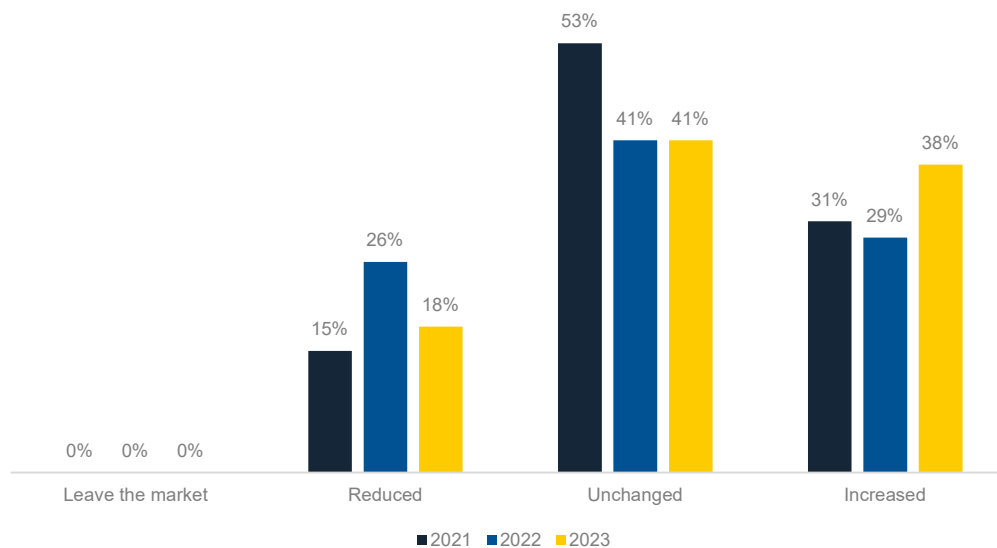
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2021-23.

Planned investments have reach a high since the start of the pandemic

While companies differ in terms of investment plans, a positive trend can be spotted. Thirty-eight per cent of companies reported plans to increase investments in the coming 12 months compared to the past 12 months, which is an increase from 29 per cent in 2022 and 31 per cent in 2021. The share of companies planning to keep investments unchanged remained at 41 per cent, while the number for those planning to reduce investments dropped from 26 per cent to 18 per cent this year.

Like last year, the small companies remained marginally more optimistic in terms of investments, with 42 per cent planning to increase investments compared to 40 per cent for medium-sized companies and 35 per cent of large companies.

WHAT ARE YOUR COMPANY'S INVESTMENT PLANS FOR THE COMING 12 MONTHS IN HONG KONG SAR, 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 66 (2023), 73 (2022) and 62 (2021). "Don't know/Not applicable" responses are included but not shown in the figure.

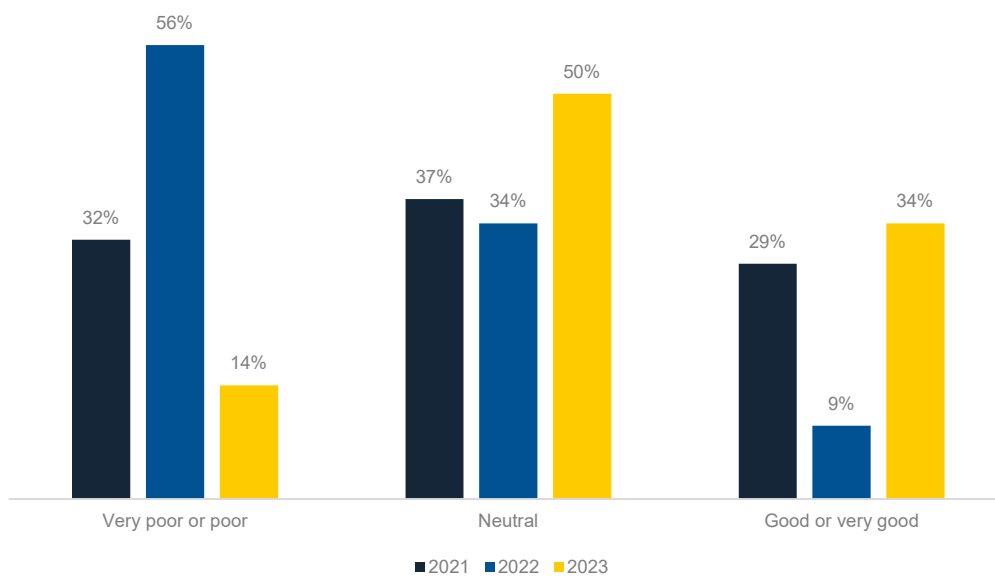
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2021-23.

Perception of the business climate in Hong Kong has improved

Perception of the business climate in Hong Kong has significantly shifted among the respondents in comparison with previous years. In 2021 and 2022, more respondents perceived the business climate as *poor* or *very poor*, but in 2023 this has changed.

Thirty-four per cent of respondents now perceived the business climate as *good* or *very good* (nine per cent in 2022), and half of the respondents perceived it as *neutral* (34 per cent in 2022). Fourteen per cent of respondents perceived it as *poor* or *very poor*, a significant decrease from 56 per cent in 2022.

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



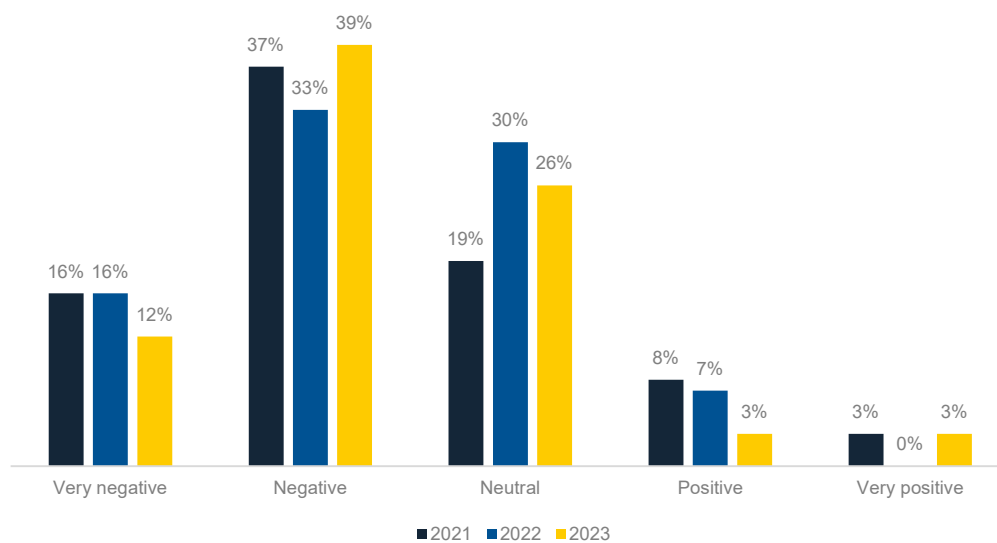
NOTE: The numbers of respondents for this question were 64 (2023), 70 (2022) and 59 (2021). "Don't know/Not applicable" responses are included but not shown in the figure.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2021-23.

Political developments are still seen by many as having a negative impact on the business environment

Our report shows that around half of the Swedish companies in Hong Kong perceived the political development during the previous 12 months as *negative* or *very negative*. Similar to last year, the percentage of respondents that perceived the political development as *positive* or *very positive* is about six per cent.

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?



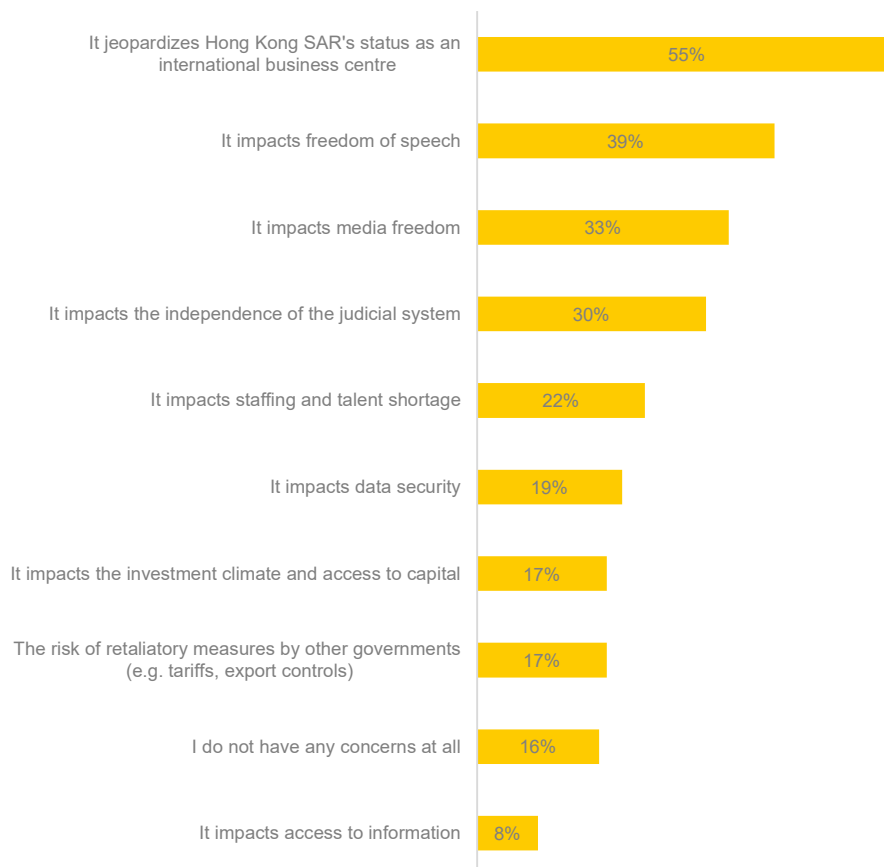
NOTE: The numbers of respondents for this question were 65 (2023), 69 (2022) and 62 (2021). Don't know/Not applicable" responses are included but not shown in the figure.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2021-23.

Concerns about Hong Kong's status as an international business centre

Similar to last year, the two main concerns for Swedish companies were that the political development jeopardises Hong Kong's status as an international business centre and that it impacts freedom of speech. There are some changes that differ significantly from last year's survey. The share of companies reporting concerns that political development will impact media freedom was 33 per cent, an increase from 25 per cent in last year's survey. Furthermore, Swedish companies' concern about an impact on data security has more than doubled since last year, up to 19 per cent.

WHAT ARE THE MAIN AREAS OF CONCERN (IF ANY) 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 64. "Don't know/Not applicable" responses are included but not shown in the figure. Two alternatives have been removed since last year which may have affected the results this year.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023.

Majority of Swedish companies have not been directly impacted by political development, but some still express concerns

Most of the Swedish companies stated that their company's operations in Hong Kong had not been impacted by the political developments. A few reported that there had been an indirect impact, that it had an impact on their talent recruitment and that Hong Kong had lost its attractiveness.

HAVE YOUR COMPANY'S OPERATIONS IN HONG KONG SAR BEEN IMPACTED BY THE POLITICAL DEVELOPMENT DURING THE PAST 12 MONTHS, INCLUDING THE IMPLEMENTATION OF THE NATIONAL SECURITY LAW, AND IF SO HOW?

“ Harder to find creative talents.

Company representative
Swedish company

“ Not directly, but if many western companies bring production of goods away from China, we are impacted as a transportation company.

Company representative
Swedish company

“ Many of our client's now prefer Singapore as country of contracting.

Company representative
Swedish company

“ Export restrictions from EU/US to Hong Kong, Macao and China for certain technologies that were not there in the past.

Company representative
Swedish company

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023, Interviews.

Companies are divided on whether political development would impact their future plans

About half of the respondents did not expect that the political developments in Hong Kong would impact their companies' future plans. The other half were concerned that the current attractiveness and advantages of Hong Kong will be impacted, which mirrors the perceived impact on the respondent companies' current operations.

HOW DO YOU EXPECT THAT POLITICAL DEVELOPMENTS, INCLUDING THE IMPLEMENTATION OF THE NATIONAL SECURITY LAW, WILL IMPACT YOUR COMPANY'S FUTURE PLANS IN HONG KONG SAR?

“ Hong Kong was once a fixture for our company. Since the last few years of political changes, we now have contingency plans.

Company representative
Swedish company

“ Indirectly only, as more businesses will be wary of investing in Hong Kong due to a less predictable political climate.

Company representative
Swedish company

“ No major impact unless indirectly impacted by companies that decide to halt production in China and move out of HK, then we would need to consider if remaining strongly based in HK is still worthwhile or if a different base/bases in South East Asia would cover the gap.

Company representative
Swedish company

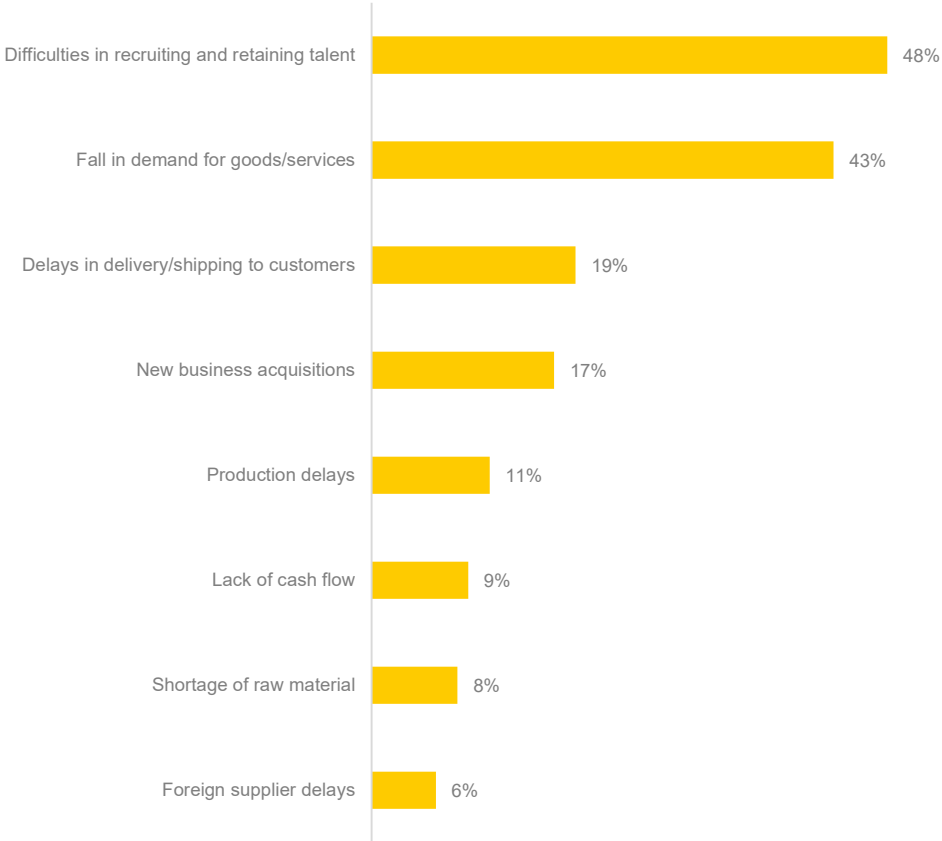
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023, Interviews.

COVID-19 IMPACT

Talent retention and recruitment has been affected by the COVID-19 pandemic

While pandemic measures have been removed, their effects seem to remain in Hong Kong. Respondents stated that the two biggest challenges stemming from the pandemic are *difficulties in recruiting and retaining talent* (48 per cent) and a *fall in demand for goods/services* (43 per cent). Another issue for the companies was that global shipping has not fully recovered, with 19 per cent of respondents putting *delays in delivery/shipping to customers* as one of their three biggest challenges.

WITH HONG KONG SAR ENTERING THE POST-COVID-19 PANDEMIC ERA, WHAT WILL BE THE MAIN CHALLENGES FOR YOUR COMPANY IN 2023?

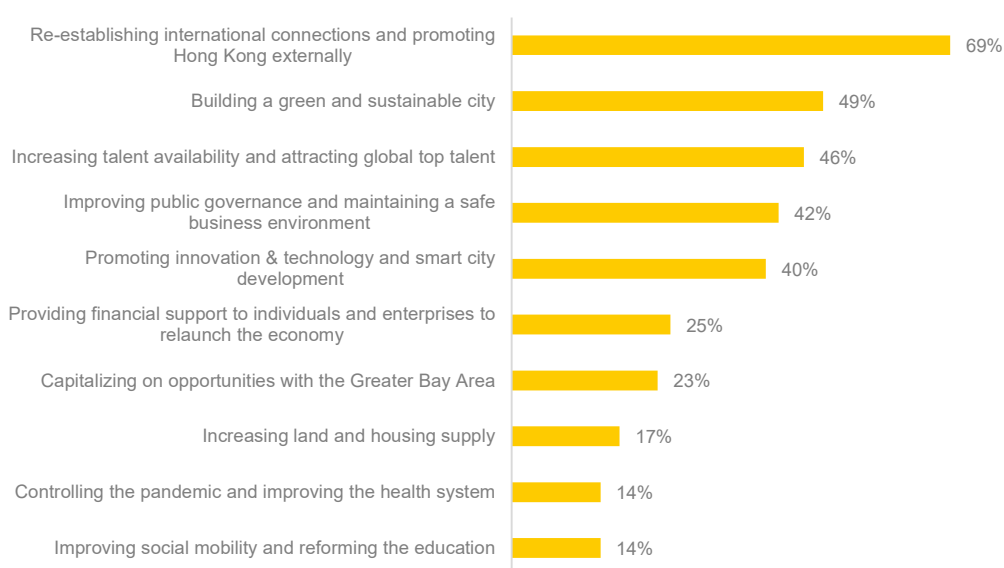


NOTE: The number of respondents for this question was 65. Don't know/Not applicable" responses are included but not shown in the figure. Respondents could pick three options.
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023.

Post-COVID-19 priority should be re-establishing international connections and launching a green transition

When asked what areas should be given priority by the Hong Kong SAR Government going forward, 69 per cent of respondents chose *re-establishing international connections and promoting Hong Kong externally* as one of the five most important areas. In second came *building a green and sustainable city* with 49 per cent, followed by *increasing talent availability and attracting global top talent*.

WHAT AREAS DO YOU THINK THAT THE HONG KONG SAR GOVERNMENT SHOULD GIVE PRIORITY TO IN THE POST-COVID-19 PANDEMIC ERA?



NOTE: The number of respondents for this question was 65. Don't know/Not applicable" responses are included but not shown in the figure. Respondents could choose five options.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023.

Mixed feelings about the effect of the COVID-19 pandemic on future plans

Swedish companies had mixed feelings about how the Covid-19 pandemic has impacted their future plans in Hong Kong. About half of the respondents expressed that they did not expect any changes in their future plans, while some stated concerns over talent recruitment and general negative effects that the Covid-19 pandemic has had on Hong Kong as an international hub. As a consequence of these concerns, some companies also expressed hesitation about investing in or remaining in Hong Kong in the future.

HOW DO YOU PERCEIVE THAT THE COVID-19 PANDEMIC HAS IMPACTED YOUR COMPANY'S FUTURE PLANS IN HONG KONG SAR?

“ The closing of the Hong Kong borders, and the ham-fisted implementation of various rules aimed at curing the pandemic in the city led to (among others) talent leaving us, client's avoiding the city, potential partners avoiding Hong Kong as a place to do business.

Company representative
Swedish company

“ On top of losing out as a regional hub its attractiveness as a gate to China has also waned considerably. We are more likely to invest further directly in the mainland.

Company representative
Swedish company

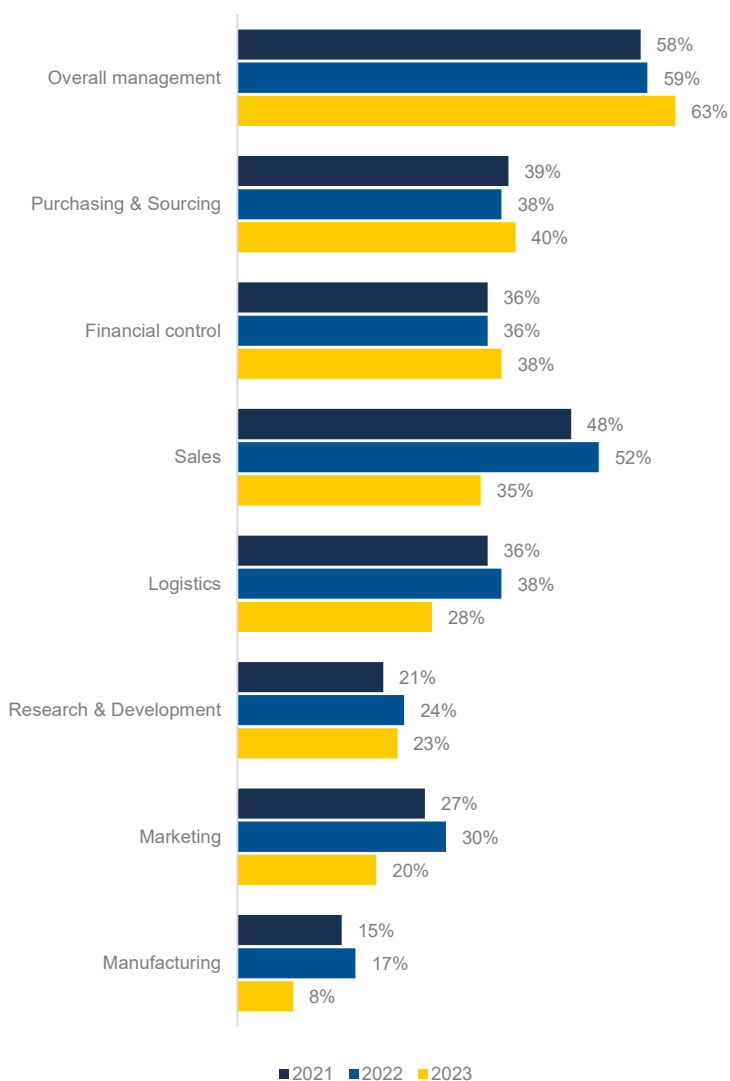
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023, Interviews.

THE MARKET

Sixty-one per cent use Hong Kong as a regional hub for the Asia/Asia-Pacific region

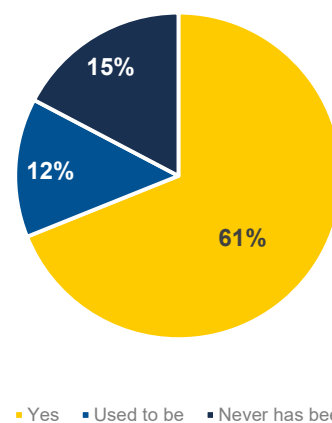
Sixty-one per cent of the Swedish companies reported using Hong Kong as a regional hub for Asia/Asia Pacific, largely unchanged from last year but an increase from 2021. Twelve per cent of the respondents said that Hong Kong used to be their regional hub, while 15 per cent have never used their Hong Kong office as a regional hub.

WHAT IS THE PURPOSE OF THE REGIONAL HUB?



NOTE: The numbers of respondents for this question were 40 (2023), 45 (2022) and 33 (2021). Don't know/Not applicable" responses are included but not shown in the figure. The answer "Regional HQ" in the previous surveys has been changed to "Regional hub". SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2021-23.

IS YOUR OFFICE IN HONG KONG SAR A REGIONAL HUB?



NOTE: The number of respondents for this question was 66. Don't know/Not applicable" responses are included but not shown in the figure. The answer "Regional HQ" in the previous surveys has been changed to "Regional hub". SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023.

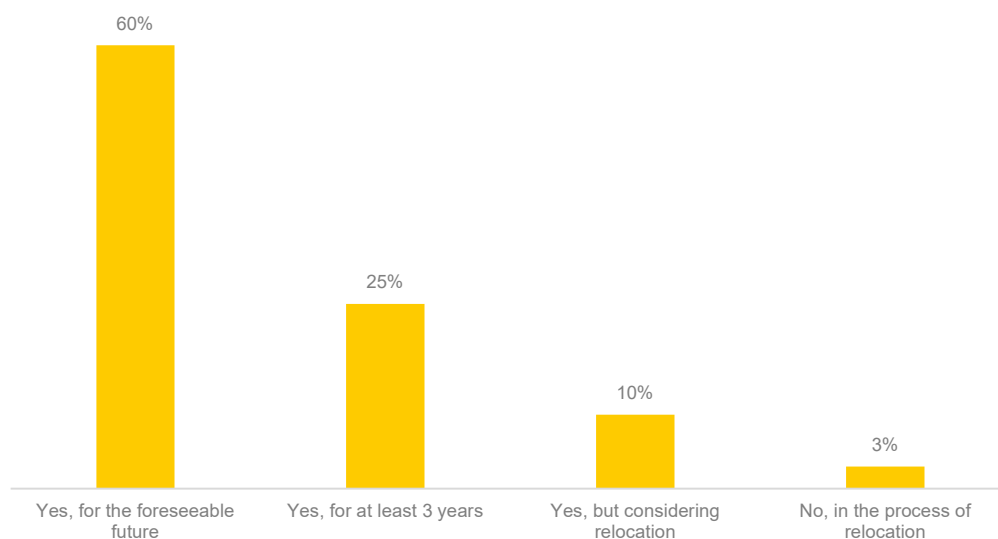
Swedish companies plan on keeping Hong Kong as their regional hub

Sixty per cent of the companies that reported using Hong Kong as their regional hub stated that it will remain so for the foreseeable future, while 25 per cent reported that it will remain a regional hub for at least three years.

The companies (13 per cent) that considered or planned to move their regional hub away from Hong Kong did so for a variety of reasons. Recurring reasons in the open-ended responses were cost of living, political stability, and talent attraction.

For companies that have already moved their regional hubs away from Hong Kong, their reasons included lockdown during the pandemic, geopolitics and pivoted business priorities.

WILL YOUR HONG KONG SAR OFFICE REMAIN THE REGIONAL HUB IN THE COMING YEARS?



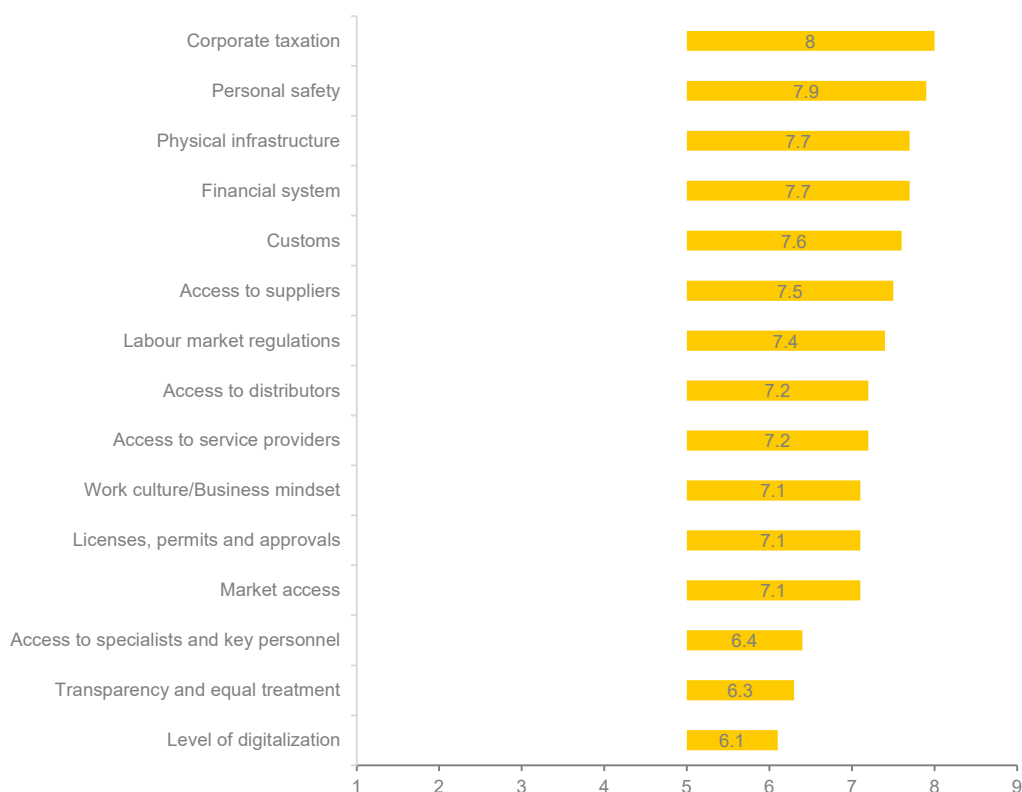
NOTE: The number of respondents for this question was 40. "Don't know/Not applicable" responses are included but not shown in the figure.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023.

Business conditions in Hong Kong continue to be perceived as favourable

Overall, the business conditions in Hong Kong were reported to meet companies' needs and were perceived as favourable. All conditions received higher marks than in 2022, with the exception of *customs* which was a new answer option for 2023. This was a significant change of course from last year's result, which was a three-year low. *Corporate taxation* maintained its position as the best-met condition, followed by *personal safety*, and *physical infrastructure* has overtaken *financial system* for third place.

HOW WELL DO THE FOLLOWING CONDITIONS MEET THE NEEDS OF YOUR COMPANY IN HONG KONG SAR?



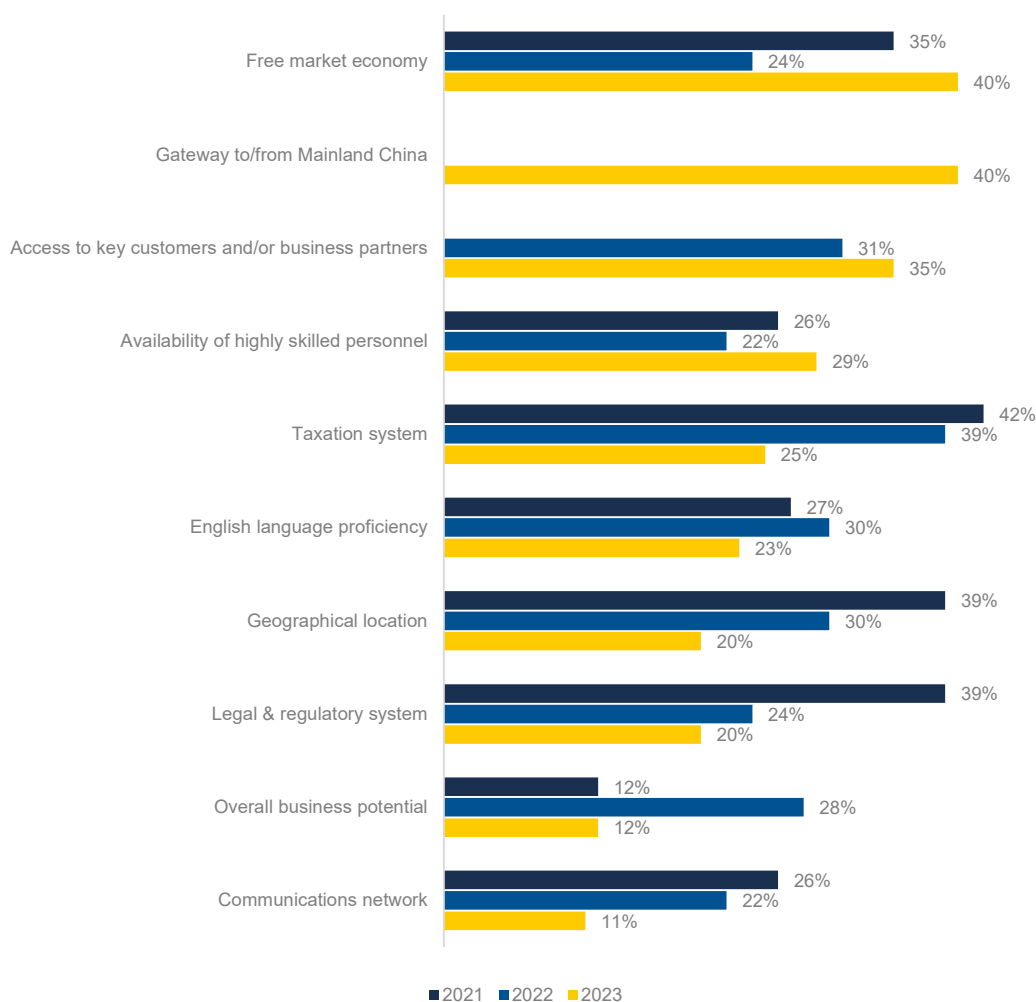
NOTE: The number of respondents for this question was 66. "Don't know / Not applicable" responses are included but not shown in the figure.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023.

Hong Kong's free market economy and its role as a gateway to Mainland China are the two most significant advantages of being in Hong Kong

The ranking of the most significant advantages of being in Hong Kong with regards to business activities has been reshuffled. After being at the top for three years, the *taxation system* has fallen to fifth place, with 25 per cent picking that option. This year's top spot is shared between *free market economy* and *gateway to/from mainland China*, both at 40 per cent, with the former increasing significantly from 24 per cent in the 2022 survey. In third place, respondents put *access to key customers and/or business partners*, which increased from 31 per cent to 35 per cent, and in fourth is *availability of highly skilled personnel*, which increased from 22 per cent to 29 per cent.

WHICH ARE THE MOST SIGNIFICANT ADVANTAGES OF BEING IN HONG KONG SAR WITH REGARDS TO YOUR BUSINESS ACTIVITIES?



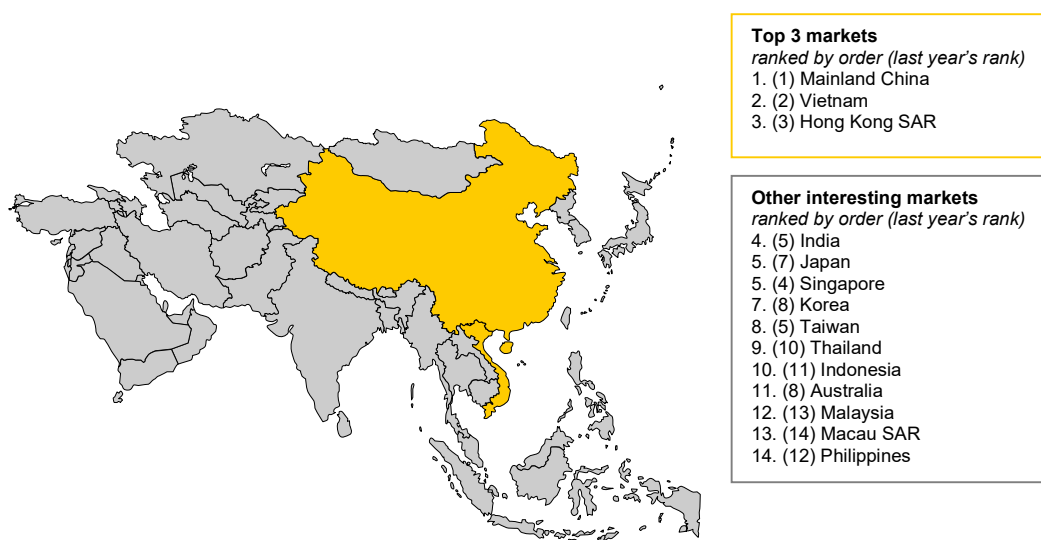
NOTE: The numbers of respondents for this question was 65 (2023), 72 (2022) and 62 (2021). "Don't know / Not applicable" responses are included but not shown in the graph. *Gateway to/from Mainland China* has replaced *Gateway to China* and *Gateway from China* as a response option. Note that the overall drop in percentages is due to reducing the number of maximum answers from five to three.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2021-23.

Mainland China remains the most interesting market in the region

Swedish companies in Hong Kong continued to consider Mainland China as the most interesting market for the next three years. Sixty-two per cent of respondents ranked Mainland China among their top five most interesting markets, which is a marginal increase from last year. Vietnam remained in second place at 32 per cent, followed by Hong Kong SAR in third at 27 per cent.

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



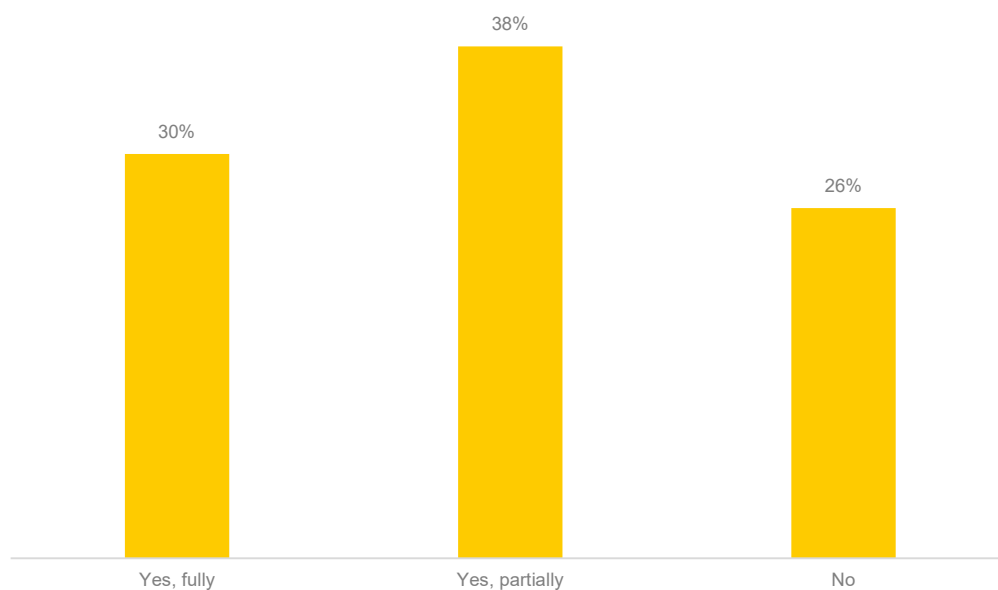
NOTE: The numbers of respondents for this question was 66 (2023) and 73 (2022). "Don't know / Not applicable" responses are included but not shown in the graph. Respondents were limited to five options instead of an unlimited number of options in the 2022 survey.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2022 and 2023.

A majority of companies use their Hong Kong office to cover the Greater Bay Area

Hong Kong is used as the base for many companies' operations in the Guangdong – Hong Kong – Macau Greater Bay Area (GBA). Thirty per cent of respondents stated that their Hong Kong office covers the entire GBA, while 38 per cent use it to cover the GBA partially, and 26 per cent do not cover the GBA from Hong Kong.

DOES YOUR HONG KONG OFFICE COVER THE GREATER BAY AREA (GUANGDONG – HONG KONG – MACAU) BESIDE HONG KONG SAR?



NOTE: The number of respondents for this question was 66.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023.

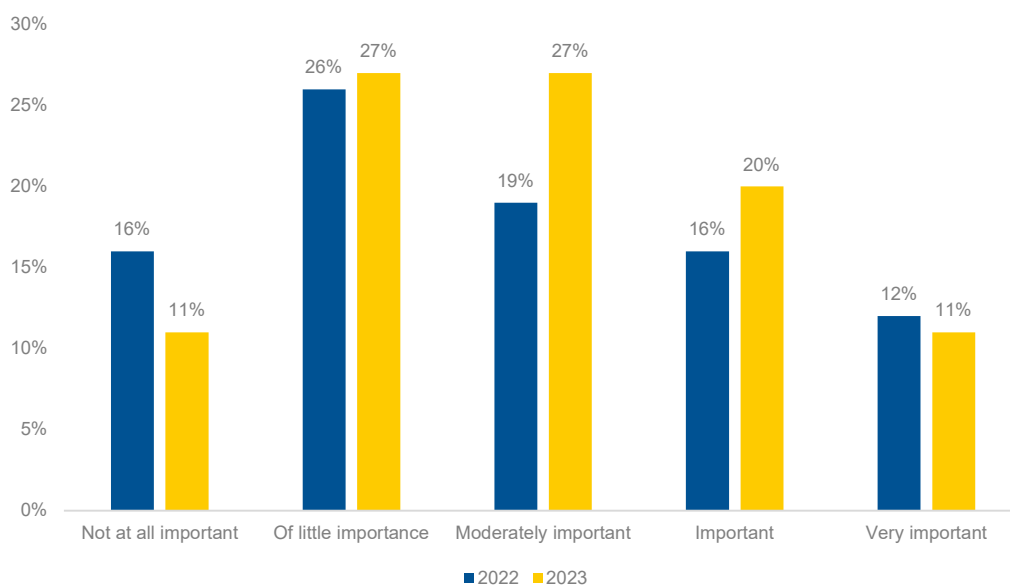
The Greater Bay Area is not seen as a key factor to companies' growth prospects

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

Last year saw an increase in companies reporting that the GBA played a role in their growth prospects in the region, and this year the number of companies who answered *don't know / not applicable* decreased further, but while that growth has continued, it is still not seen as very important. Thirty per cent of companies stated that the GBA is *important* or *very important* to their growth prospect, up from 28 per cent last year. Meanwhile, 38 per cent stated that it is *of little importance* or *not at all important*, and five per cent answered *don't know / not applicable*, down from 11 per cent last year.

Some key reasons why the GBA is not important to the companies' growth prospects are *no business opportunities, laws and regulations make it too complicated and not of interest*.

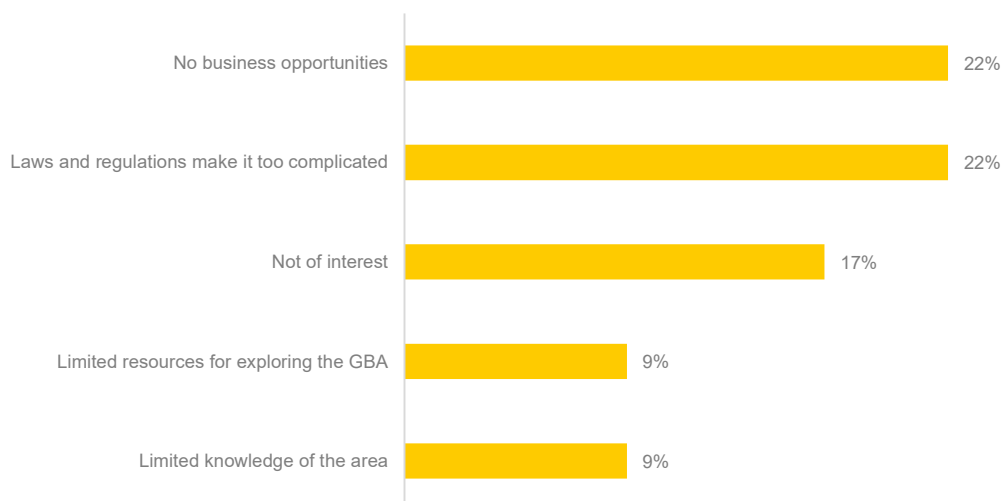
HOW DO YOU VIEW THE IMPORTANCE OF THE GREATER BAY AREA TO YOUR ORGANISATION'S GROWTH PROSPECTS?



NOTE: The numbers of respondents for this question were 66 (2023) and 73 (2022). "Don't know / Not applicable" responses are included but not shown in the graph. Percentages may vary due to rounding numbers.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2022 and 2023.

WHY IS THE GREATER BAY AREA NOT IMPORTANT TO YOUR ORGANISATION'S GROWTH PROSPECTS?



NOTE: The number of respondents for this question was 23. The question was only asked to those who responded "Not at all important" or "Of little importance" to the question "How do you view the importance of the Greater Bay Area to your organisation's growth prospects?".

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023.

WHAT OPPORTUNITIES DO YOU SEE FOR YOUR COMPANY IN THE GREATER BAY AREA?

“ Mainland China and GBA has higher ambitions and are more action oriented in sustainability development compared to HK.

Company representative
Swedish company

“ More work needed to make GBA 'come alive'.

Company representative
Swedish company

“ With open borders we have easier access to visit potential clients in the GBA, being able to conduct business face-to-face is critical.

Company representative
Swedish company

“ What actually is the GBA concept?

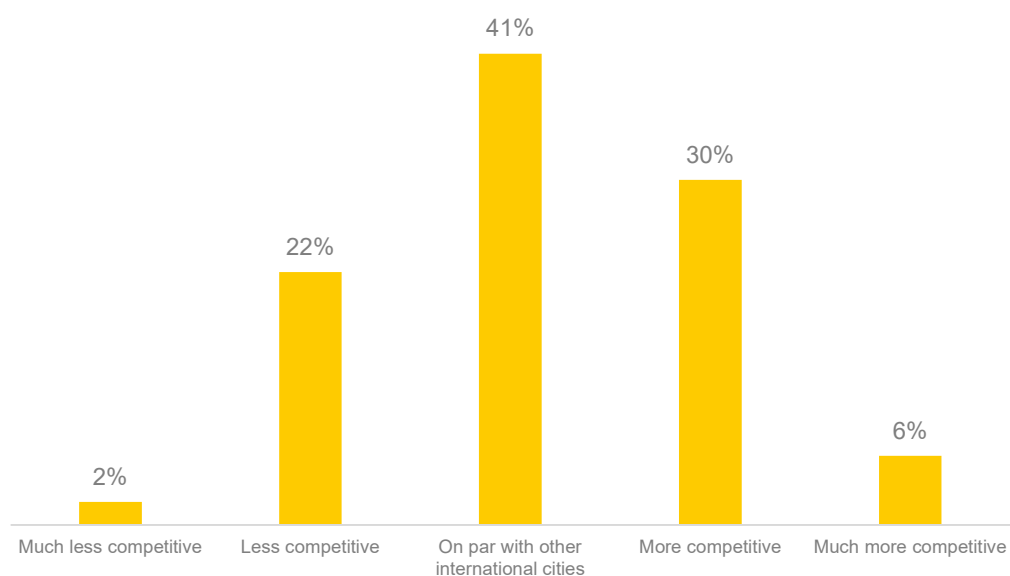
Company representative
Swedish company

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023, Interviews.

Hong Kong is perceived as more competitive than in previous years

Hong Kong's perceived competitiveness has rebounded in 2023. Thirty-six per cent of respondents considered Hong Kong to be *more competitive* or *much more competitive* than other international cities in the region and globally, largely unchanged from 35 per cent last year. The difference can be seen in the other responses. The number of respondents who answered *on par with other international cities* increased from 34 per cent to 41 per cent, and the number of respondents who answered *less competitive* or *much less competitive* dropped from 28 per cent to 24 per cent.

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



NOTE: The number of respondents for this question was 64. Wording of the answer options has changed from last year while the scale remained the same, which may influence the responses.

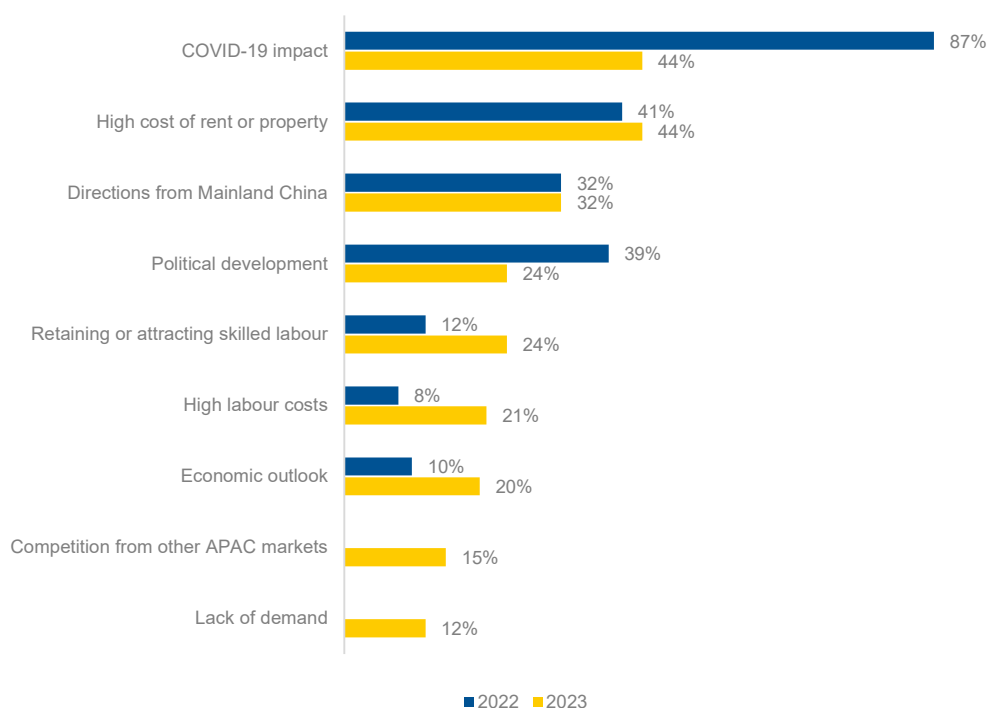
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023.

Pandemic restrictions have been lifted, but their impact remains a top challenge

The top four challenges remained unchanged compared to last year. While pandemic restrictions have been lifted, Swedish companies still considered the *Covid-19 impact* to be the most challenging factor for their businesses in Hong Kong, with the number of respondents dropping significantly from 87 per cent to 44 per cent. *High cost of rent or property* is tied for first place with an increase from 41 per cent to 44 per cent. *Directions from Mainland China* remained at 32 per cent, however, it has overtaken *political developments* in ranking due to the latter dropping from 39 per cent to 24 per cent, a response rate shared with *retaining or attracting skilled labour*.

Worth noting is that *retaining or attracting skilled labour* has increased from 12 per cent in 2022 to 24 per cent in 2023. This has been reflected in other responses and interviews, varying from industry to industry. The answer *competition* has also been divided into *competition from other APAC markets*, *competition within Hong Kong* and *competition from the Greater Bay Area*, with other APAC markets being seen as the biggest challenge ahead of local competition in Hong Kong.

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



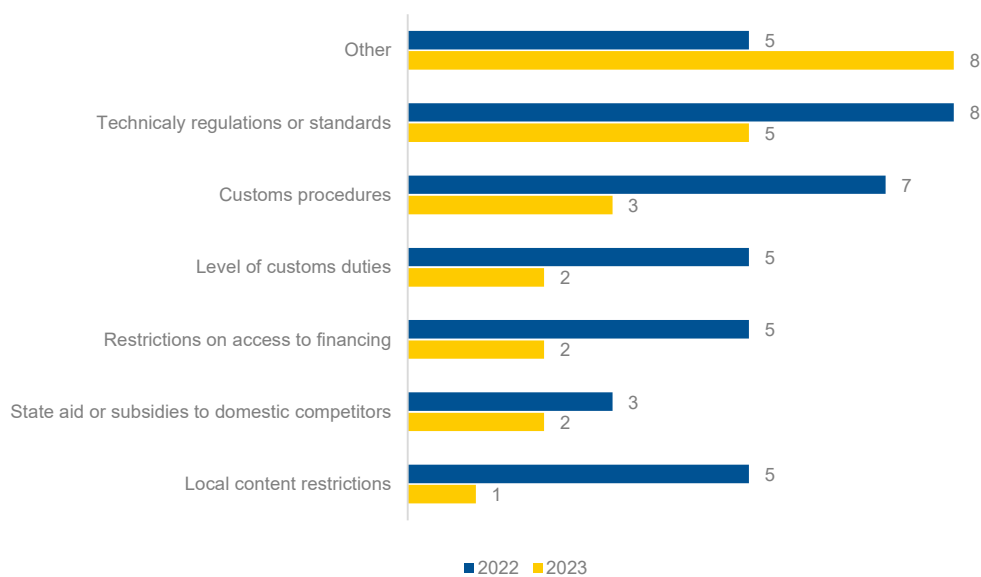
NOTE: The numbers of respondents for this question were 66 (2023) and 73 (2022).

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2022 and 2023.

22 per cent of companies encountered trade barriers in 2022

Twenty-two per cent of respondents stated that their company had encountered trade barriers in the past year. Just like last year, the most common barrier was *technical regulations or standards* followed by *customs procedures*, however, multiple respondents specified other trade barriers, including issues connected to United States – China sanctions.

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



NOTE: The numbers of respondents for this question were 59 (2023) and 73 (2022). The figure shows the number of respondents having encountered the respective barriers.

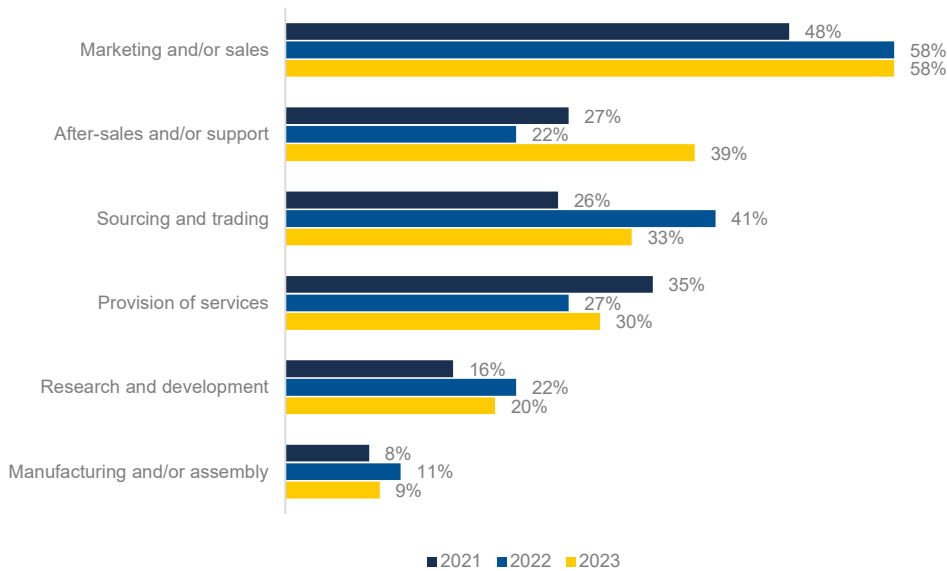
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2022 and 2023.

HOW SWEDISH COMPANIES SUCCEED IN HONG KONG SAR

Swedish companies’ operations in Hong Kong

The Swedish companies’ main areas of operation remained relatively stable, with one major exception. *Marketing and/or sales* continued to be the most common operation, remaining at 58 per cent; in second place was *after-sales and/or support*, which applies to 39 per cent of respondents, up significantly from 22 per cent in 2022. *Sourcing and trading* dropped from 41 per cent to 33 per cent, and *provision of services* was up from 27 per cent to 30 per cent.

WHAT OPERATIONS DO YOU CARRY OUT IN HONG KONG SAR?



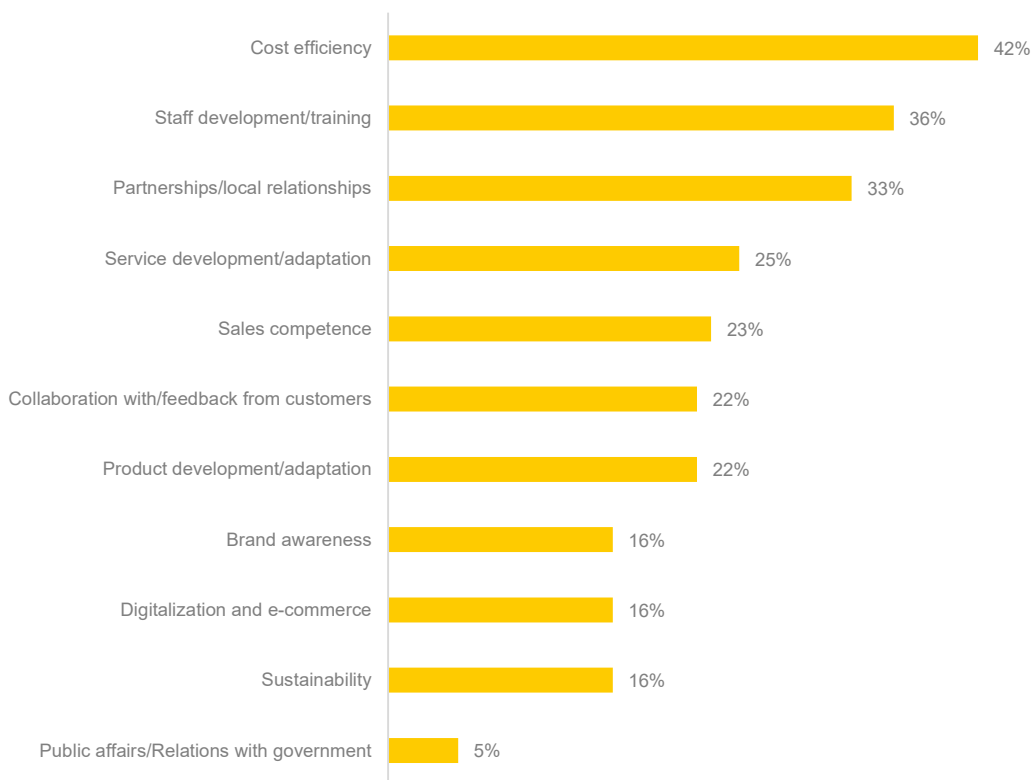
NOTE: The numbers of respondents for this question were 66 (2023), 73 (2022) and 62 (2021). “Don’t know / Not applicable” responses are included but not shown in the figure.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023.

Numerous factors continue to be important in maintaining competitiveness

Just like in previous years, the areas that are important to maintaining competitiveness were quite evenly distributed, however, their positions have changed significantly this year. *Cost efficiency* has risen to become the most important area, with 42 per cent of respondents putting it in their top three, and *staff development/training* has gone from being ranked seventh to being the second most important at 36 per cent. *Collaboration with/feedback from customers* has dropped from first place last year to sixth this year.

WHICH OF THE FOLLOWING AREAS HAVE BEEN IMPORTANT FOR YOUR COMPANY IN MAINTAINING COMPETITIVENESS IN HONG KONG SAR? CHOOSE MAXIMUM THREE.

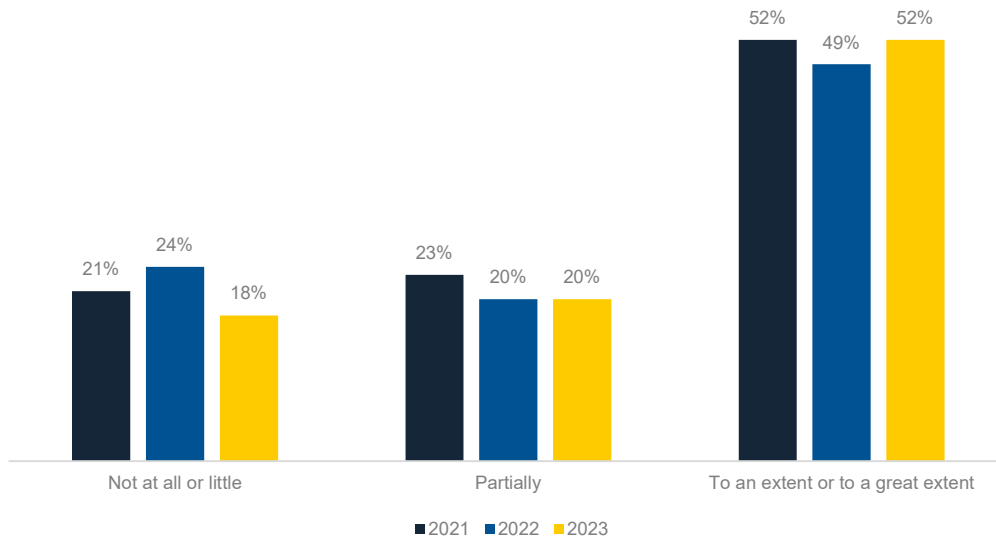


NOTE: The number of respondents for this question was 64. "Don't know/Not applicable" responses are included but not shown in the figure. The question was changed from ranking each area on a scale to picking the three most important areas.
 SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023.

The “Swedish brand” remains a contributing factor to success in Hong Kong

Continuing the positive results from last year, 52 per cent of respondents believed that the “Swedish brand” contributes to their business *to an extent* or *to a great extent*, up from 49 per cent last year. Twenty per cent believed that it contributed *partially* (unchanged from last year), while the share of respondents who believed it contributes *little* or *not at all* dropped from 24 per cent to 18 per cent.

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



NOTE: The numbers of respondents for this question were 66 (2023), 70 (2022) and 62 (2021). “Don’t know/Not applicable” responses are included but not shown in the figure.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2021-23.

Companies associate the “Swedish brand” with quality, sustainability and innovation

The characteristics that were the most associated with the “Swedish brand” were *quality* (71 per cent, down from 75 per cent in 2022), *sustainability* (54 per cent, down from 56 per cent) and *innovation* (49 per cent, down from 58 per cent). Quality maintained its first place from last year, and the top six also remained the same, however, there have been some changed rankings with *sustainability* and *innovation* trading places as well as *safety* dropping from fourth place to sixth place.

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



NOTE: The numbers of respondents for this question were 65 (2023) and 73 (2022). “Don’t know / Not applicable” responses are included but not shown in the figure.

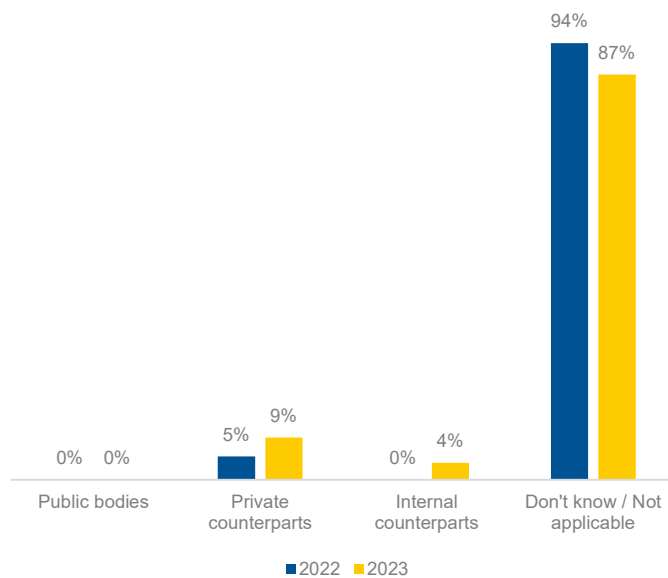
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023.

ACTING SUSTAINABLY

Low levels of corruption

Hong Kong ranked 12th out of 180 countries and territories in Transparency International’s Corruption Perception Index 2022. In Asia, the territory is outranked only by Singapore. Hong Kong’s high ranking is reflected in our results, with few respondents reporting having been exposed to corruption. Only seven out of the 66 company representatives participating in our survey reported having been exposed to corruption in the previous year, a slight increase from last year’s number of five.

HAS YOUR COMPANY IN HONG KONG SAR BEEN EXPOSED TO CORRUPTION WITH ANY OF THE FOLLOWING AREAS?



NOTE: The numbers of respondents for this question were 55 (2023) and 65 (2022).
 SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2022 and 2023, Transparency International

Corruption Perception Index 2022	
Country:	Ranking:
Denmark	1
Finland	2
New Zealand	2
Norway	4
Singapore	5
Sweden	5
Hong Kong SAR	12
Japan	18
Taiwan	25
South Korea	31
Mainland China	65

No company encountered human rights violations in the past year

For the first time the survey contained a question on whether the companies had encountered human rights violations in Hong Kong, and no company reported having encountered any within the areas *supply chains, partners and collaborators* or *customers*.

HAS YOUR COMPANY IN HONG KONG SAR ENCOUNTERED ANY FORM OF HUMAN RIGHTS VIOLATIONS AND/OR LABOUR RIGHTS ABUSE IN ANY OF THE FOLLOWING AREAS?



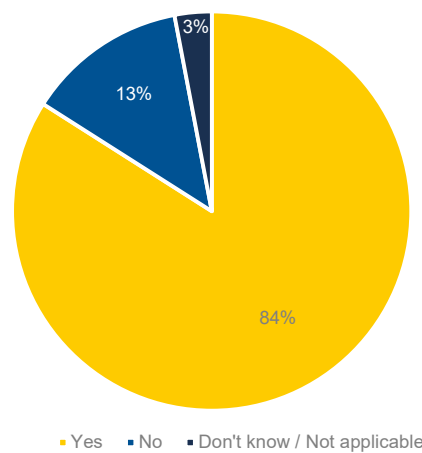
NOTE: The number of respondents for this question was 53. "Don't know/Not applicable" responses are included but not shown in the figure.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023.

Sustainability is incorporated into 84 per cent of companies' business models – and continues to be significant to profitability

Eighty-four per cent of Swedish companies stated that sustainability is a part of their business model or strategy. Furthermore, 80 per cent of the companies indicated that sustainability work contributes to profitability, and 49 per cent expressed this impact to be medium to high. This is a slight increase compared to 2022 and matches the image the “Swedish brand” has of sustainability.

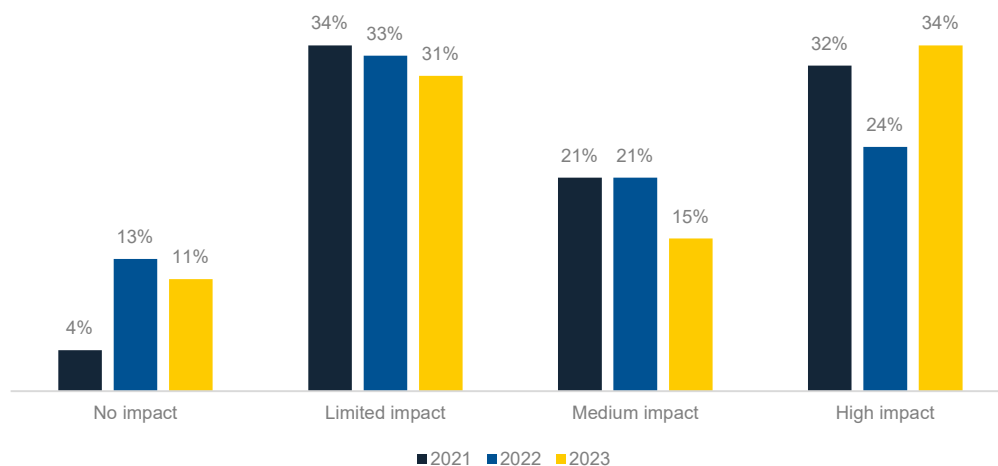
IS SUSTAINABILITY WORK PART OF YOUR COMPANY'S BUSINESS MODEL OR STRATEGY?



NOTE: The number of respondents for this question was 64. Don't know/Not applicable" responses are included but not shown in the figure.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023.

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



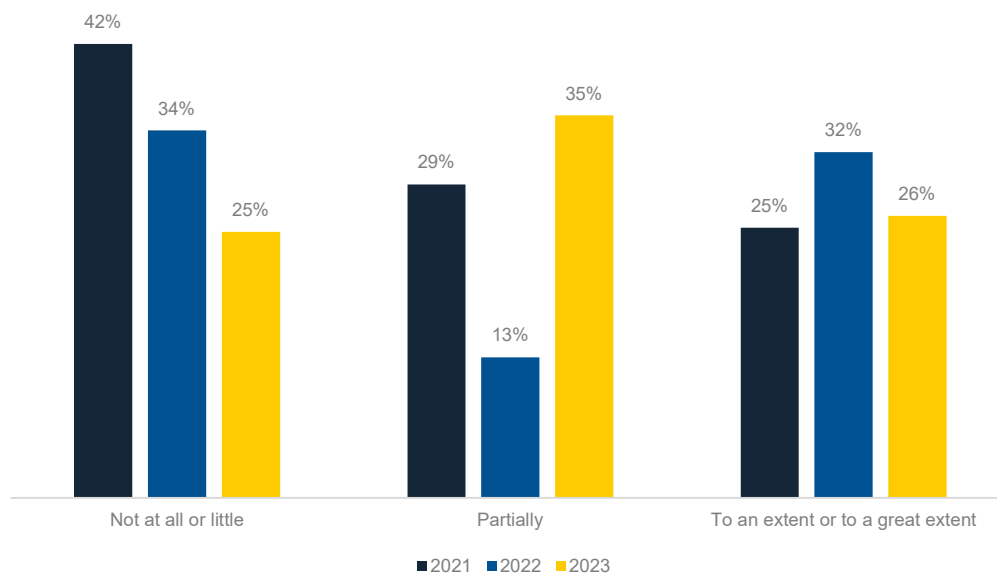
NOTE: The numbers of respondents for this question were 65 (2023), 72 (2022) and 62 (2021). Don't know/Not applicable" responses are included but not shown in the figure.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2021-23.

The importance of environmental aspects to consumers is increasing, but sentiments remain lukewarm

Twenty-six per cent of Swedish companies report that consumers consider environmental aspects of their purchasing decision *to an extent* or *to a great extent*, down somewhat from 32 per cent in last year's survey. The big difference can be found in those reporting that consumers consider environmental aspects *partially*, increasing from 13 per cent in 2022 to 35 per cent in 2023, and compared to 2021, the number of companies reporting that consumers consider it *not at all* or *little* has decreased significantly, down from 42 per cent to 25 per cent in this year's survey.

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



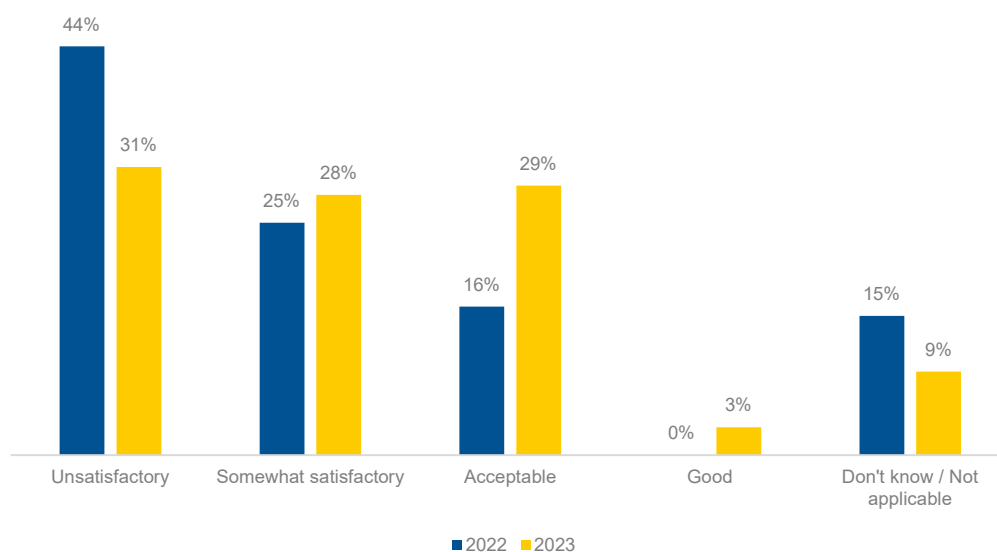
NOTE: The numbers of respondents for this question were 65 (2023), 70 (2022) and 62 (2021). Don't know/Not applicable" responses are included but not shown in the figure.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2021-23.

Perception of government policies on sustainability has improved, but remains overall negative

The Hong Kong government has an objective of reaching carbon neutrality by 2050. However, company representatives' sentiment, as expressed in our survey, underlined the perceived deficiencies of government policies on sustainability. The number of respondents who believed that government policies on sustainability are *acceptable* or *good* doubled from 16 per cent to 32 per cent, while those who believed them to be *somewhat unsatisfactory* or *unsatisfactory* decreased from 69 per cent to 59 per cent, but the overall sentiment remained negative.

HOW DO YOU PERCEIVE THE HONG KONG SAR GOVERNMENT'S POLICIES ON ENVIRONMENTAL SUSTAINABILITY SUCH AS ACHIEVING CARBON NEUTRALITY?



NOTE: The numbers of respondents for this question were 65 (2023) and 73 (2022).
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2022 and 2023.

“ I see that the sustainability efforts by the government here is greenwashing at the best.

Company representative
Swedish company

“ Personally, I think Hong Kong SAR still needs a lot of input & support on real sustainability.

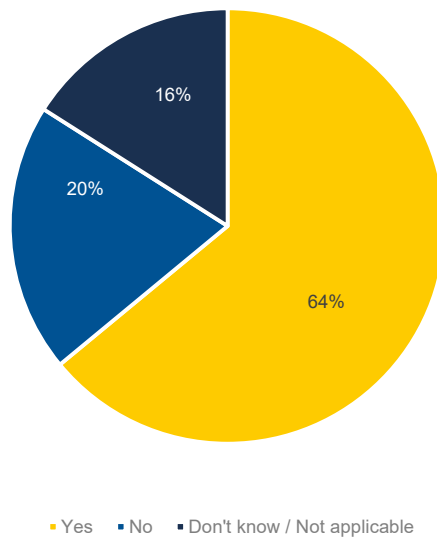
Company representative
Swedish company

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023, Interviews.

Most companies have a proactive diversity and inclusion policy

64 per cent (compared to 60 per cent last year) of the respondents indicated that their companies have a proactive diversity and inclusion policy, whereas 20 per cent (17 per cent last year) of the respondents did not have such policies. For large companies, the number with proactive diversity and inclusion policies increased to 88 per cent, while it was 42 per cent for small companies.

DOES YOUR COMPANY HAVE A PROACTIVE DIVERSITY & INCLUSION POLICY?



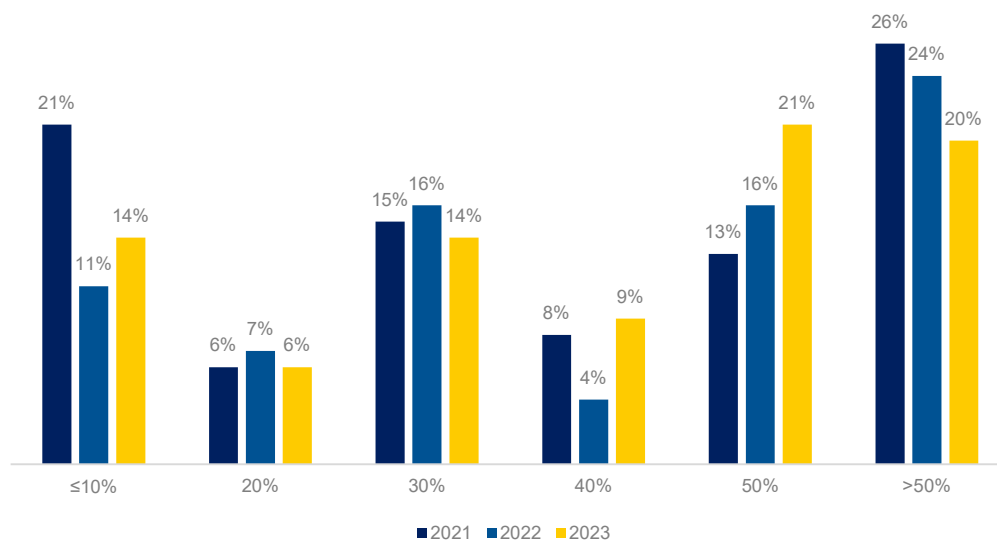
NOTE: Reduced and increased represent aggregation of slight / significant development changes. The number of respondents for this question was 64.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2022 and 2023.

Half of all Swedish companies in Hong Kong have at least 40 per cent women in leading positions

Women continue to be represented in leading positions among Swedish companies in Hong Kong, although men are still the majority. Forty-one per cent of respondents stated that women represent 50 per cent or more of their board, management and/or directors, while 50 per cent stated that women represent 40 per cent or more of leading positions. This is in line with the Business Climate Surveys conducted in 2021 and 2022.

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



NOTE: The numbers of respondents for this question were 66 (2023), 70 (2022) and 62 (2021). Don't know/Not applicable" responses are included but not shown in the figure.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2021-23.

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