

BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN MAINLAND CHINA 2025

A REPORT FROM TEAM SWEDEN IN MAINLAND CHINA

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FOREWORD



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This year's Business Climate Survey once again captures the voices of Swedish companies operating in China, offering valuable insights into their experiences, challenges, and expectations. The global economic and trade landscape remains highly uncertain, and while some developments have occurred since the survey responses were collected, the findings remain a timely reflection of the business sentiment on the ground.

According to the companies surveyed, the Chinese market continues to present a complex mix of opportunities and challenges. Many firms report persistent difficulties – ranging from regulatory hurdles to intensified local competition and rising pressure from 'buy domestic' policies. At the same time, many respondents highlighted the importance of maintaining a presence in China to access its vast market potential and stay close to the rapid pace of innovation.

Overall, the perceived business climate has reached its lowest point since the survey began over two decades ago. While 55 per cent of companies still expect revenue growth in 2025, only one-third plan to increase their investments. This cautious outlook reflects broader concerns, including overcapacity in several sectors, deflationary pressures, low consumer confidence and an increasingly uneven playing field – particularly when it comes to public procurement and local content requirements.

Despite these headwinds, there are also 'pockets of growth'. Swedish companies in sectors such as maritime, chemicals, advanced materials, and manufacturing upgrades continue to perform relatively well. Another bright spot to note is that the Sweden brand is perceived more positively compared to one year ago. Larger multinational corporations are generally staying committed to the market, while some smaller firms have exited in recent years. Localisation has become essential – not only to meet regulatory demands but also to remain competitive in a shifting global trade environment where 'China-for-China' and even 'China-for-global' strategies have gained traction.

This year's survey is based on responses from Swedish companies of various sizes and sectors, complemented by in-depth interviews that provide qualitative context. Team Sweden extends its sincere thanks to all participating companies for their time and insights. We hope this report is helpful for your strategic planning and it also encourages continued dialogue. Please do not hesitate to reach out to us to discuss your specific situation in the Chinese market.

98 respondents in China

Current business climate

2.8_{/5}

Industry turnover

49%

of Swedish companies expect their industry turnover to increase

Future investments

31%

of Swedish companies plan to increase their investments slightly or significantly in the next 12 months

Valued success factors in China

1. Cost efficiency
2. Product development/adaptation
3. Collaboration with/feedback from clients

Brand Sweden

91%

of Swedish companies in Mainland China consider Brand Sweden beneficial for business

Local conditions with high satisfaction

1. Personal safety
2. Physical infrastructure
3. Suppliers

Local conditions with low satisfaction

1. Transparency and equal treatment
2. Market access
3. Financial system

Environmental considerations

55%

of respondents believe environmental consideration is a factor in their customers' purchasing decisions

Corruption

20%

of respondents have been exposed to corruption

Human rights violation and labour rights abuse

3%

are aware of exposure to human or labour rights violations

EXECUTIVE SUMMARY

Business Climate Survey for Swedish companies in Mainland China 2025

The 2025 Business Climate Survey, conducted by Team Sweden in Mainland China, offers a detailed and multifaceted view of Swedish enterprises' operating conditions in China. Against a backdrop of geopolitical uncertainty and structural challenges within the Chinese economy, the survey, which gathered responses from 98 Swedish companies, highlights both the enduring strategic importance of the Chinese market and the persistent concerns impacting investment decisions, operational performance, and business sentiment.

Economic outlook and market dynamics

Despite achieving a GDP growth rate of five per cent in 2024 - meeting official targets - China's economic recovery remains imbalanced. Structural weaknesses, including subdued domestic consumption and a distressed property sector, continue to weigh heavily on the economy. Swedish firms operating in China have observed this imbalance acutely. Investments remain heavily concentrated in manufacturing, driving overcapacity and deflationary pressures. Fierce price competition - especially from local Chinese small and medium-sized enterprises (SMEs) - is cited as a growing threat to profitability and innovation.

China's record-high trade surplus of approximately USD 1 trillion and declining import share of GDP indicates an increasing detachment between domestic demand and global trade, exacerbating tensions with major trading partners. 'Buy domestic' policies and local procurement biases were reported to negatively affect 39 per cent of surveyed Swedish firms, especially those in the industrial sector.

Business performance and confidence

Although 63 per cent of respondents reported profits in 2024 (a two-point increase from 2023), the pace of revenue and profit growth has declined. Only 41 per cent saw revenue growth and 35 per cent experienced profit growth, with medium-sized firms showing the weakest performance. The business climate index fell for the fourth consecutive year, now at a record low of 2.8 out of five. Confidence in the future business climate remains polarised: 35 per cent foresee improvement over the next three years, while a slightly lower 33 per cent expect conditions to deteriorate.

Investment and strategic positioning

Investment sentiment has softened. Only 31 per cent of companies plan to increase investments in 2025, down from 38 per cent in 2024, continuing a downward trend. Nonetheless, 82 per cent plan to maintain or grow their presence, underscoring China's long-term strategic relevance. Swedish firms highlight market size, growth potential, and cost efficiency as key opportunity drivers, though geopolitical risk and China's economic slowdown remain major concerns.

Professional services firms are the most optimistic sector, with 48 per cent intending to increase investment and 56 per cent anticipating improved business conditions. In contrast, industrial and consumer sectors exhibit greater caution due to intensified competition, policy unpredictability, and reduced demand.

Operations and market conditions

Swedish companies generally rate China's physical infrastructure, personal safety, and supplier access positively. However, dissatisfaction remains high with transparency, equal treatment, and market access. Nearly half of companies (49 per cent) expect industry turnover to increase in 2025, yet this optimism is uneven across sectors and company sizes.

Localisation remains extensive, with most companies integrating deeply into local supply chains and staffing. Yet R&D operations remain less localised, primarily due to concerns over intellectual property rights. Notably, 99 per cent of firms reported no recent decoupling from their headquarters, indicating strategic integration, albeit with cautious contingency planning.

Talent and sustainability

Talent acquisition has improved, yet attracting expatriates remains difficult, largely due to lifestyle preferences and perceived career limitations. Company culture and work-life balance are seen as key attractors, more so than compensation. Women make up about 33 per cent of the workforce, and expatriates constitute less than 1 per cent, reflecting high localisation.

Environmental and sustainability concerns continue to shape operations. While only 24 per cent of companies report challenges in this area—down from 34 per cent—issues such as supply chain transparency and access to green energy persist. Despite government initiatives, many companies struggle to convey the value of sustainable products to customers. Corruption exposure has decreased to 20 per cent, but challenges remain, particularly for companies engaging in public procurement.

Conclusion

Swedish companies continue to show long-term commitment to the Chinese market, drawn by its size, manufacturing strengths, and emerging innovation ecosystem. However, persistent structural and geopolitical headwinds, combined with rising local competition and policy-driven constraints, are driving a more cautious and nuanced strategic approach. The 2025 Business Climate Survey underscores the need for Chinese policymakers to convert reform promises into tangible actions to rebuild business confidence and sustain China's appeal as a premier destination for global investment.

ECONOMIC OUTLOOK

Economic growth met its target in 2024 but is projected to slow down

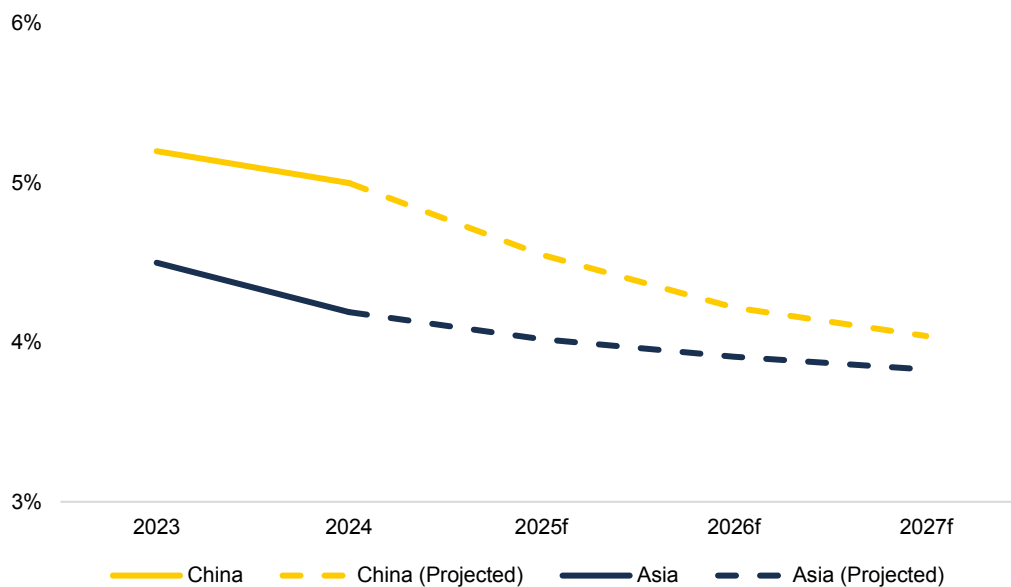
China's GDP grew by five per cent in 2024, aligning with the government's target but lower than the 5.2 per cent growth achieved in 2023. Compared with overall Asian growth at 4.2 per cent, China's economy performed more strongly in 2024.

This growth was built up on some major contributions such as a record-high annual trade surplus of over USD 992 billion and heavy investments in high-tech and sustainable industries to offset the weak domestic demand, as well as demographic and real estate pressures.

By sector, the manufacturing sector grew by 6.1 per cent, with high-tech manufacturing expanding by 8.9 per cent. Notable increases were seen in the production of renewable energy vehicles (up 38.7 per cent) and integrated circuits (up 22.2 per cent). The services sector also showed strong performance, growing by five per cent year-on-year, particularly in information technology services (up 10.9 per cent) and leasing services (up 10.4 per cent).

Looking ahead, China's economy is forecasted to continue growing at above four per cent annually until 2027, slower than previous years but still higher than Asia's overall growth in the coming years. For 2025, the Chinese government again set an annual GDP growth target of around five per cent. However, economic forecasts for the coming year are increasingly challenged by geopolitical factors.

PROJECTED GDP GROWTH IN MAINLAND CHINA AND ASIA



NOTE: Constant prices.

SOURCE: Oxford Economics March 2025.

BUSINESS PERFORMANCE

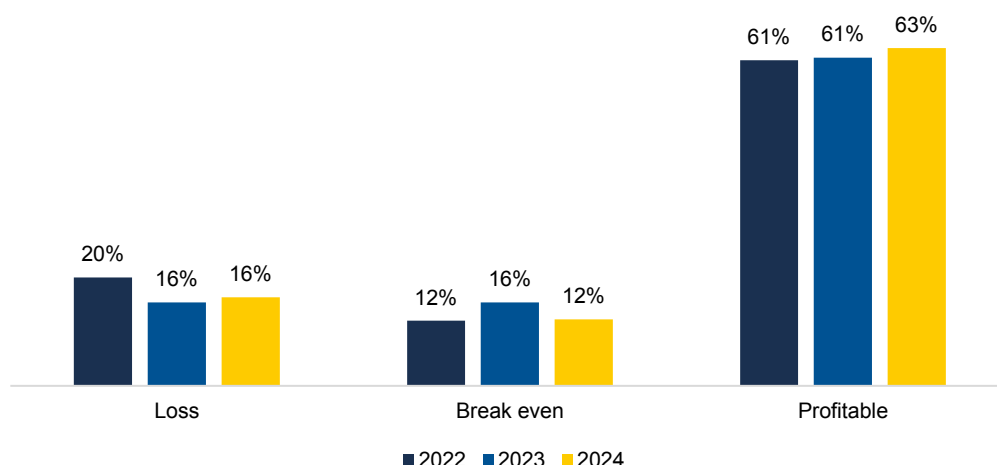
A slight improvement of financial performance seen in Swedish companies in 2024 with medium-sized companies and industrial companies at the top

2024 was a profitable year for a majority of Swedish companies in Mainland China with a mild improvement shown in a slightly larger group making financial gains and a flat rate of companies making financial losses. Of all respondents, 63 per cent reported a profitable business, an increase of two percentage points from last year. Of the respondents, 12 per cent reported that they broke even, down from 16 per cent in 2023, and 16 per cent of respondents suffered losses, the same as the previous year.

In terms of company size, medium-sized companies were the most profitable, with 67 per cent of respondents reporting profitability, followed by 62 per cent of large companies. Small companies which had the highest proportion of profitable business last year – had the lowest proportion that were profitable (60 per cent), and the highest share of loss-making companies (24 per cent) in 2024.

When comparing across sectors, industrial companies remain the most of being profitable, accompanied by a big increase in share, with around three quarters (74 per cent) making profit, up from 67 per cent last year. Professional services companies also performed above average, with 68 per cent reporting profitability, a significant increase from 56 per cent last year. For consumer companies, the share of companies with positive financial growth dropped to 50 per cent in 2024, down from 54 per cent last year.

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN MAINLAND CHINA IN 2024?



NOTE: The number of respondents for this question was 97. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

Revenue and profit growth further contracted in 2024, yet with small companies and professional services companies performing relatively better

Despite the majority of Swedish companies being profitable in 2024, companies clearly show weaker growth in terms of revenue and profit. Among all companies, 41 per cent and 35 per cent see an uptick of growth in revenue and profit, respectively, shrinking from 48 per cent and 40 per cent in 2023. Meanwhile, 36 per cent and 28 per cent of companies record decreased revenue and profit growth, both higher than the previous financial year (31 per cent and 23 per cent respectively).

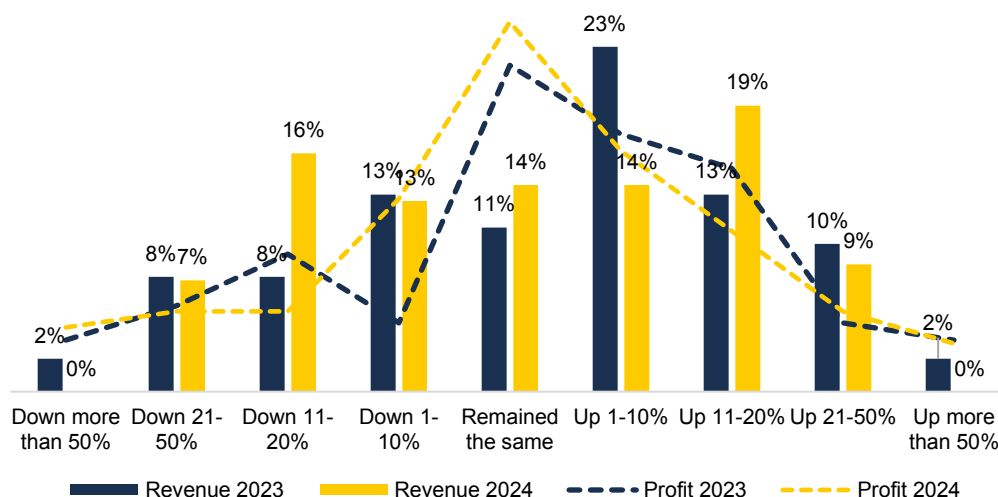
By company size, medium-sized companies were the main drag on revenue and profit growth, with only 38 per cent and 33 per cent reporting positive growth in revenue and profit, and almost as many suffering from negative growth in revenue (38 per cent) and profit (28 per cent). Small companies saw the highest growth in revenue and profit with 43 per cent and 48 per cent, respectively in 2024. Among large companies, 43 per cent and 37 per cent reported positive growth in revenue and profit for 2024.

By sector, professional services companies fared significantly better than other industries, with 52 per cent recording an increase in both revenue and profit growth respectively in 2024. In contrast to 2023, in which 56 per cent of professional services companies achieved increasing revenue, 46 per cent of them had increasing profits.

The financial performance of consumer companies differed significantly in the past year. Among this group, 38 per cent made increasing revenue but even more (44 per cent) made shrinking revenue compared with 2023. Both proportions of companies enlarged in 2024. As to profitability, 19 per cent of consumer companies recorded growth, down by 6 percentage points, but 38 per cent suffered from decreased profit, up drastically by 21 percentage points.

For industrial companies, less than a third made positive revenue (32 percent) and profit growth (27 per cent), significantly worse than last year. The same numbers from last year's survey for this group were 52 per cent and 43 per cent. Some companies noted that both shrinking domestic demand and heightened competition from local competitors added pressure to their financial performance.

HOW WAS YOUR REVENUE AND PROFIT IN MAINLAND CHINA FOR 2024 COMPARED WITH 2023?



NOTE: The number of respondents for this question was 94. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in China 2025.

More than half of Swedish companies remain optimistic about their revenue and profit but less than half are optimistic about their industry overall

For the coming year, companies are in general more positive about their own turnover than the overall industry turnover. Industrial and professional services companies are only slightly more positive of their own revenue compared to their industry turnover, but a significantly bigger share of consumer companies anticipate an increasing revenue of their own compared to their forecast of their industry turnover.

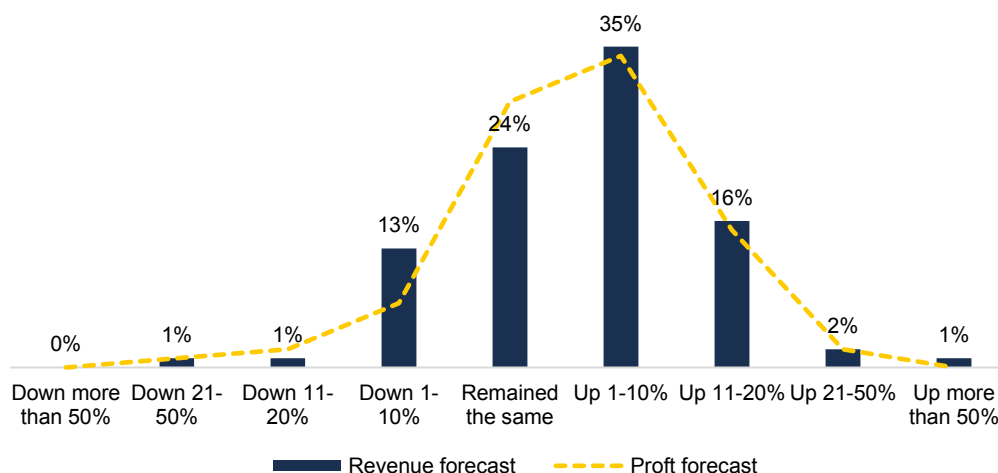
More than half of Swedish companies expect increasing revenue for their operations in Mainland China, up from 54 per cent last year to 55 per cent this year. In addition, 15 per cent of companies (down from 21 per cent) anticipate a decreasing revenue, indicating a mild improvement, and almost a quarter of companies (24 per cent, up from 15 per cent) expect revenue to remain at the same level.

Size-wise, medium-sized companies (58 per cent) are more optimistic in expecting an increase in their revenue compared to large companies (55 per cent) and small companies (50 per cent). By sector, consumer companies (63 per cent) and professional services companies (61 per cent) are more positive of their own revenue to increase in the coming year, while half of industrial companies estimating their own revenue to increase.

Around half of Swedish companies (51 per cent) keep a positive outlook of profit for their operations in Mainland China in 2025, down from 55 per cent in 2024. However, 29 per cent of them believe profit will remain the same, up from 17 per cent in 2024. The share of respondents that are pessimistic about their profit in the coming year declined from 17 per cent in 2024 to 11 per cent in 2025.

Consumer companies (56 per cent) are the most optimistic in expecting an increase in profit for 2025, followed by industrial companies (50 per cent) and professional service companies (48 per cent). Meanwhile, there is a negative correlation observed between company sizes and their positivity for the profit forecast. A larger share of small companies (58 per cent) tends to have a positive profit forecast for 2025 compared with medium-sized companies (52 per cent) and large companies (45 per cent).

WHAT IS THE REVENUE AND PROFIT FORECAST OF YOUR OPERATIONS IN MAINLAND CHINA FOR 2025 COMPARED WITH 2024?



NOTE: The number of respondents for this question was 94. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

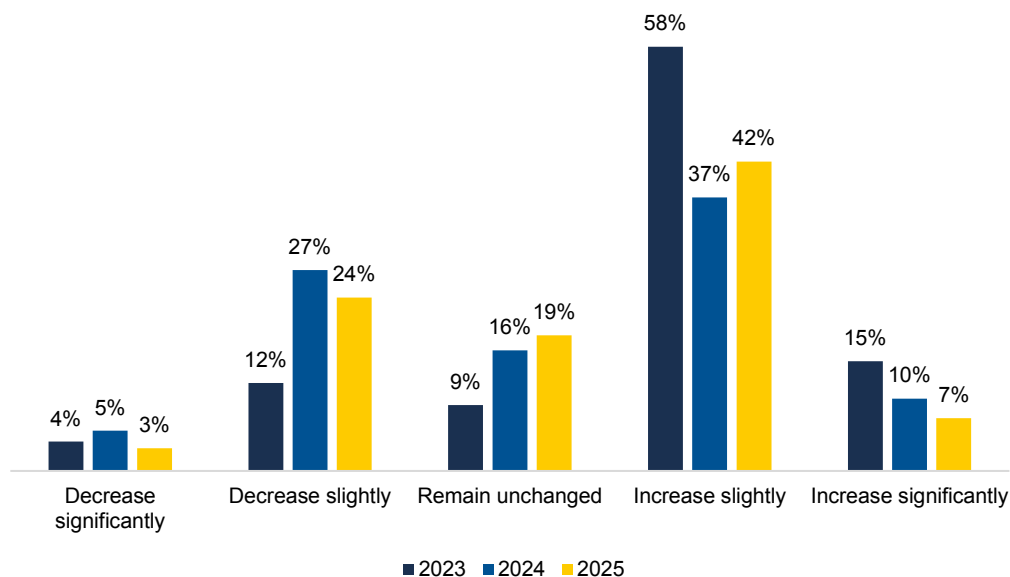
Swedish companies keep having rather gloomy expectations for their industries' turnover over the next 12 months, similar to last year's finding. Out of all respondents, 49 per cent expect the turnover within their industry to increase in the coming year, up from 47 per cent last year. While 27 per cent expect a decreasing industry turnover (down from 32 per cent last year), and 19 per cent of them anticipate their industry turnover to remain the same (up from 16 per cent last year).

As in 2024, medium-sized companies are the most positive with 63 per cent expecting an increasing industry turnover. Meanwhile, 44 per cent of respondents for both small and large companies, respectively, expect increasing industry turnover.

Sector-wise, professional services companies replaced industrial companies to account for the largest share of companies predicting an increase in industry turnover, at 60 per cent. On the other hand, there is a sharp decline in the percentage of industrial companies and consumer companies holding a positive outlook for their industry turnover. Less than half of industrial companies (49 per cent, down from 77 per cent) and consumer companies (44 per cent, down from 60 per cent) are expecting increased industry turnover in 2025. Several companies mentioned having to make changes to their responses if the survey were conducted after Trump's tariff policies were in place.

According to interviews with several industrial companies, their cautious outlook on industry turnover largely stems from supply overcapacity, uncertainty surrounding China's exports amid tariff pressures, and a rapidly evolving competitive landscape where local manufacturers are capturing increasing market share and compressing the industry profit margin. Similarly, some consumer companies report that economic challenges have made consumers more cautious in their purchasing decisions.

COMPARED TO THE DEVELOPMENTS OVER THE PAST 12 MONTHS, WHAT ARE YOUR EXPECTATIONS FOR YOUR INDUSTRY IN MAINLAND CHINA REGARDING TURNOVER OVER THE NEXT 12 MONTHS?



NOTE: The number of respondents for this question was 97. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

BUSINESS CLIMATE

The business climate sentiment is at an all-time low in 2025, but the outlook is less pessimistic than last year

The business climate represents the core of this survey, and each respondent is asked to assess the current climate from very poor to very good. The assessment is by nature subjective and can be impacted by several factors – many of them explored through other questions throughout the survey. Even so, the business climate assessment provides a valuable indication of how the perceived business climate is developing over time.

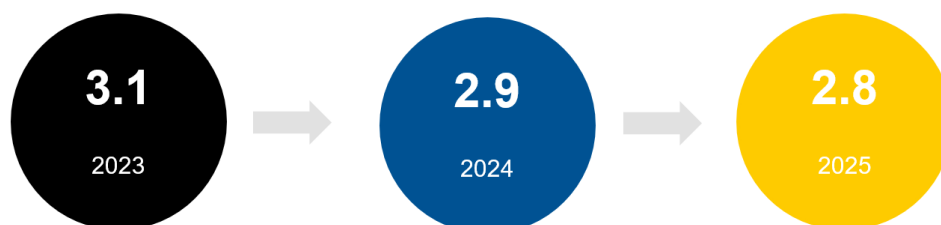
This year, the climate index is 2.8 out of five, the fourth consecutive yearly decline, and the new worst from last year's score of 2.9. Small companies (2.9, down from 3.0) perceive a slightly better business climate compared to medium-sized (2.8, down from 3.0) and large companies (2.8, down from 2.8). Professional services companies perceive a better business climate compared to other sectors, with an index of 3.3 (up from 2.9), compared with consumer and industrial companies, at 2.8 (down from 3.2) and 2.5 (down from 2.9) respectively. This is in line with the findings of financial performance and forecast by size and sector.



It is not the tariffs from Trump actually making huge impacts on us but rather fear of uncertainties for the future.

Industrial company

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN MAINLAND CHINA?



NOTE: The number of respondents for this question was 94. "Don't know/Not applicable" responses are included but not shown in this figure.

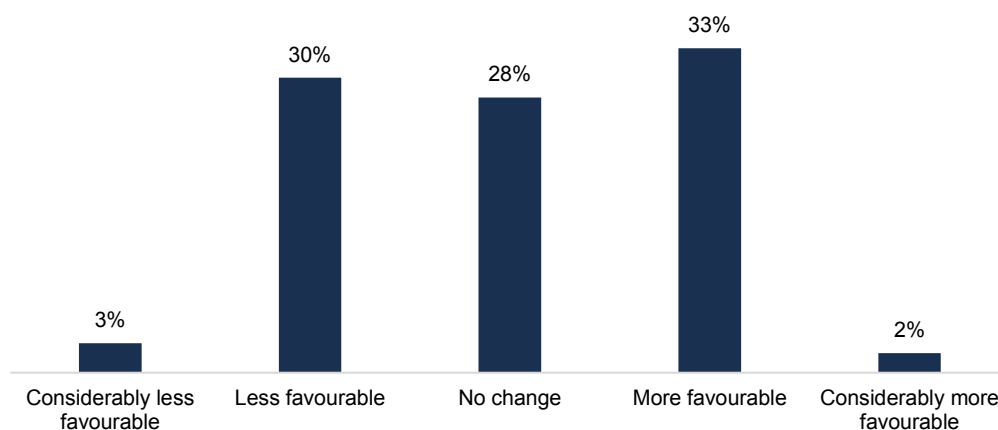
SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

Continuing a polarising trend – same as last year – 35 per cent of respondents think the business climate in Mainland China will be more favourable or considerably more favourable in the coming three years. Around one-third (33 per cent) of the respondents believe otherwise, down from 42 per cent in 2024. The significantly lessened share of companies forecasting an even worse environment in the coming future turns the balance slightly more towards the positive side.

Small and large companies tend to have more favourable expectations of the future business climate compared with medium-sized companies, of which only 17 per cent of the respondents hold an optimistic view on a more favourable or considerably favourable business climate.

Professional services companies have the most optimistic outlook, with 56 per cent of respondents expecting the business climate to improve in the coming three years. Industrial and consumer companies are rather pessimistic with only 18 per cent and 28 per cent of respondents, respectively, foresee the business climate to improve in the coming three years.

HOW DO YOU PREDICT THE FUTURE BUSINESS CLIMATE IN MAINLAND CHINA OVER THE COMING THREE YEARS?



NOTE: The number of respondents for this question was 94. "Don't know/Not applicable" responses are included but not shown in this figure.

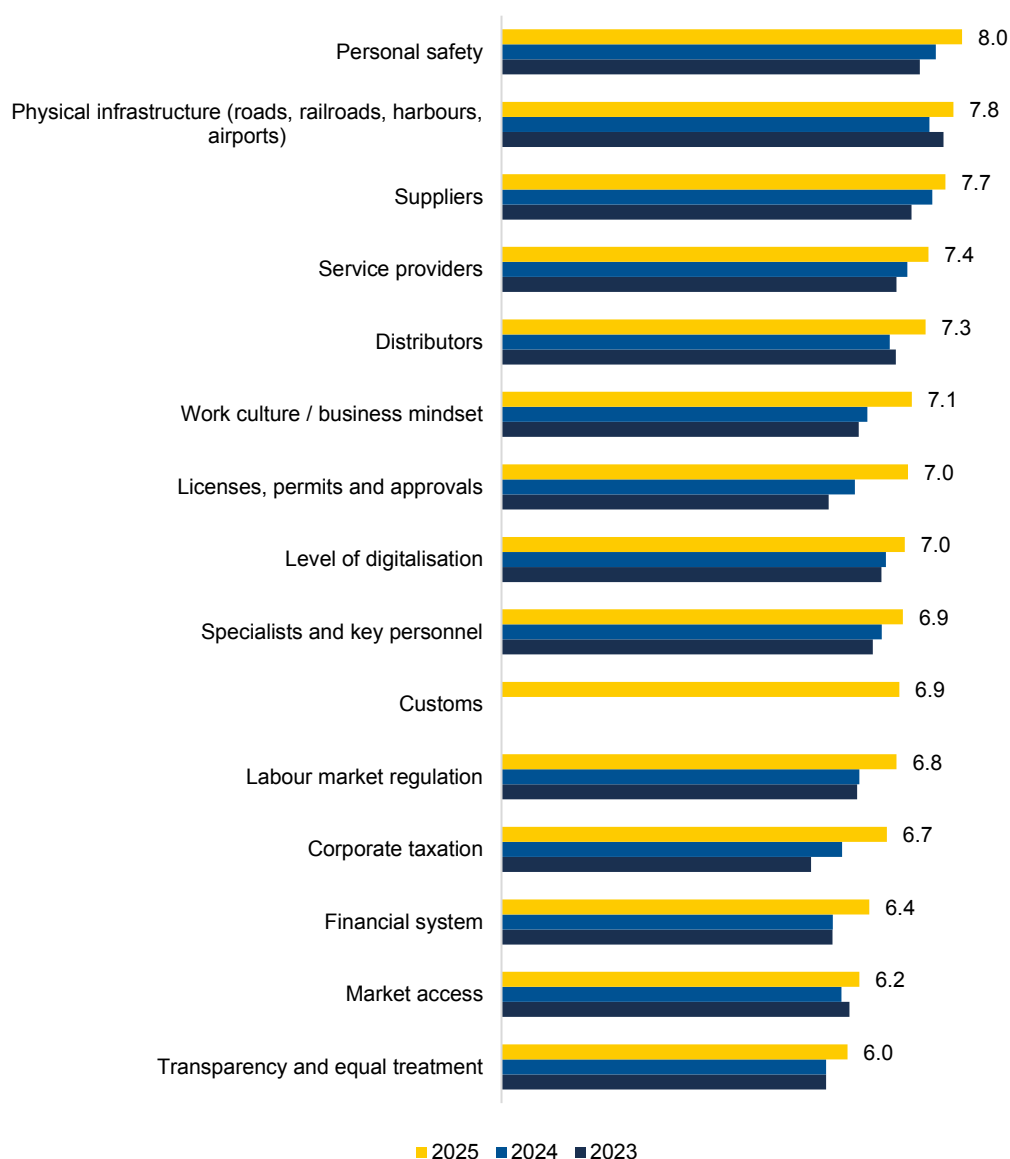
SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

Improved satisfaction with all market conditions in Mainland China compared to last year

In 2025, Swedish companies continue to view market conditions in Mainland China favourably. All examined dimensions except for the newly added dimension have improved in weighted score compared to last year.

Among all dimensions, personal safety, physical infrastructure, and access to suppliers are rated the highest, the same as in 2024. Many companies emphasised on the advantage of the comprehensiveness and integration of supply chains in China as a key favourable condition for cost effectiveness. The financial system, market access, and transparency and equal treatment remain at the bottom rating – in line with the past three years' results.

PLEASE RATE FROM 1-9, HOW WELL DO THE FOLLOWING CONDITIONS MEET THE NEEDS OF YOUR COMPANY IN MAINLAND CHINA?



NOTE: The number of respondents for this question was 97.
SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

Economic slowdown and global geopolitical risk remain the most challenging factors for companies

In 2025, the top three challenging external factors for Swedish businesses in Mainland China remain to be an economic slowdown in China, global geopolitical risk and a global economic slowdown. Low household demand and geopolitical turmoil have led to decreasing revenue, increasing costs, and more hesitancy in investment.

The economic slowdown in China was rated the top challenge for Swedish companies, with 68 per cent of respondents considering it the main challenge, an increase of two percentage points from last year. Although the GDP target of 2024 was met, the Chinese economy is still facing challenges in terms of restructuring and upgrading. For 2025, the central government has extended the expansionary fiscal and monetary policies, as well as trying to control systematic risks and to boost consumption. The actual economic growth of China in the near future will likely be impacted by the policies' effectiveness to resolve structural challenges and the shifting geopolitical landscape. For some Swedish companies, intensified competition is seen as a byproduct of China's economic slowdown.

Geopolitical risk has escalated in the past year, even more so since the start of 2025, and ranked as the second most challenging factors, chosen by more than half (53 per cent) of the respondents, increased significantly from 30 per cent last year. Global economic slowdown ranks third, selected by 32 per cent of respondents, increased by two per cent from 2024. The tariff policies of Trump's second term are reshaping the geoeconomic landscape by increasing the cost of trade and operations, as well as creating difficulty in designing long-term global strategies and optimising supply chains and investment plans. However, some Swedish companies report limited direct impact on their business between China and Europe due to strong localisation efforts.



Our response to the survey will be very different now versus the beginning of the year.

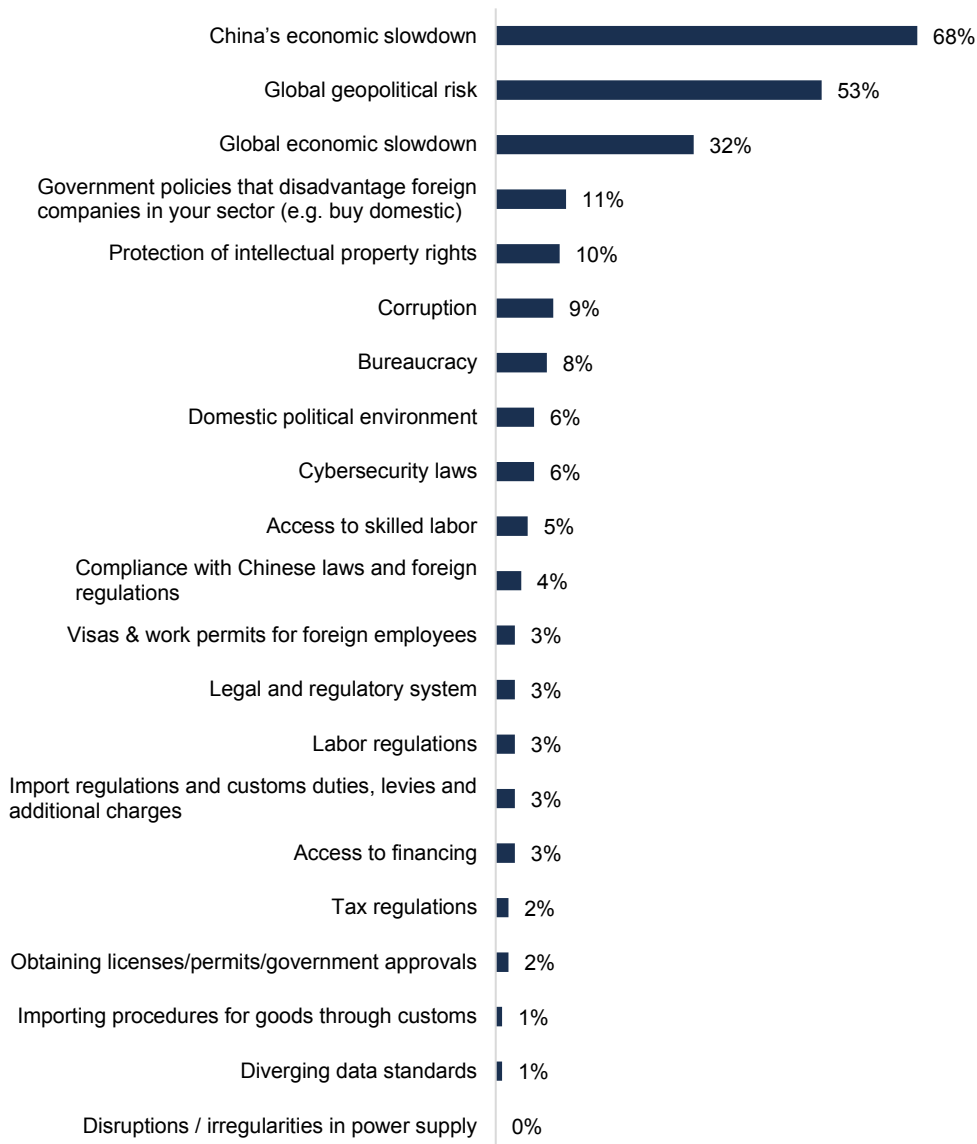
Industrial company



It is not an EU-China trade war.

Professional services company

WHICH EXTERNAL FACTORS DO YOU CONSIDER MOST CHALLENGING FOR YOUR BUSINESS IN MAINLAND CHINA (MAXIMUM 3 ALTERNATIVES)



The macro picture does not reflect everything. Our segment has grown in the past year.

Consumer company

NOTE: The number of respondents for this question was 97. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in China 2025.

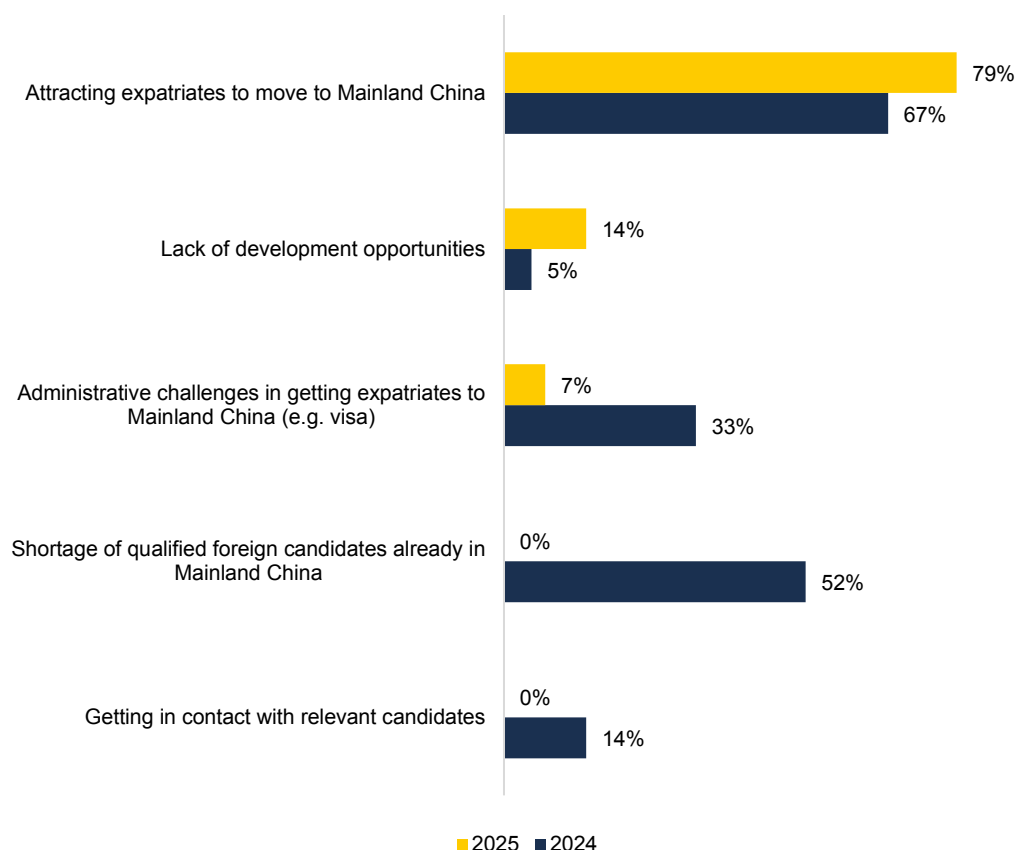
Recruitment of foreign talent overall improved compared to last year, but attracting expatriates to Mainland China remains challenging

Fewer companies participated in the survey report challenges in employing foreign staff to work in Mainland China, with 14 per cent facing issues in their efforts to employ foreign staff, down from 23 per cent last year, marking a third consecutive year of decrease since 2022.

For the companies still impacted, the biggest challenge remains the attractiveness of Mainland China for expatriates: 79 per cent of respondents reported challenges in attracting expatriates to move to Mainland China, up from 67 per cent in 2024. The second most reported challenge is the lack of development opportunities with 14 per cent of respondents selecting this option. This factor replaced the option of a shortage for qualified foreign candidates already in Mainland China which was selected by 52 per cent of respondents in last year's survey.

Seven per cent of respondents report still struggling with administrative challenges in employing expatriates in Mainland China, a significant improvement from 33 per cent in 2024. This result is also in line with the improved ratings of market conditions in Mainland China regarding licences, permits and approvals, as well as labour regulations.

WHAT ARE THE MAIN CHALLENGES YOU EXPERIENCE SENDING EXPATRIATES AND / OR HIRING FOREIGNERS TO YOUR OPERATIONS IN MAINLAND CHINA? (MULTIPLE CHOICE)



NOTE: The number of respondents for this question was 97. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

HOW SWEDISH COMPANIES SUCCEED IN MAINLAND CHINA

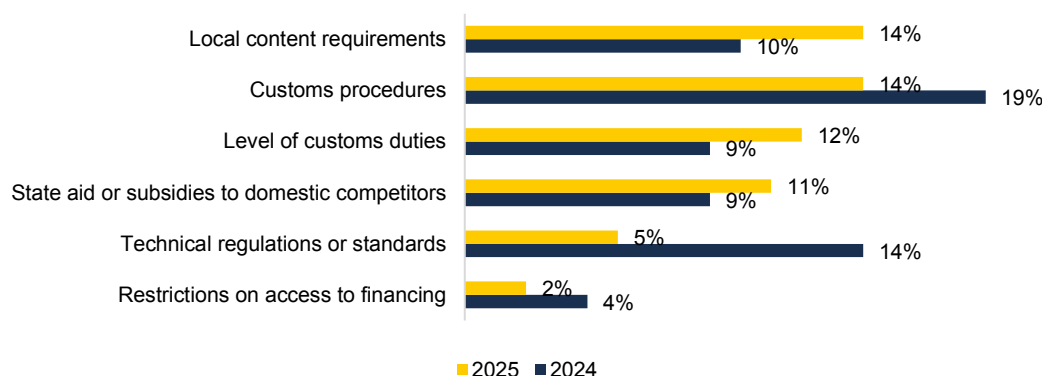
41 per cent of Swedish companies are still impacted by trade barriers with customs procedures remaining challenging and rising impacts from local content requirements

In the past year, trade barriers in Mainland China have remained challenging to a similar share of Swedish companies (41 per cent, down from 42 per cent). Customs procedures remain one of the top challenges (14 per cent), while the ranking of other factors shifted. Local content requirements climbed to the top of the rank in parallel with customs procedures, followed by the level of customs duties (12 per cent) and state aid or subsidies to domestic competitors (11 per cent). In addition, reported issues with technical regulations or standards and restrictions on access to financing have eased.

Trade barriers hit industries in different ways. More than half (58 per cent) of industrial companies report facing trade barriers, and local content requirements appear to be the most common obstacle (43 per cent). This can be explained by industrial companies selling to SOEs and participating in public tenders more than consumer companies and professional service companies. Domestic competition in terms of government relations was also mentioned by companies when it comes to government purchasing. One large industrial company reported circumstances where the Chinese government adopted preferential purchasing of domestic brands over foreign brands even if some technical specifications could be met by neither group. Another medium-sized industrial company reported a case of the client receiving subsidies from the local government for buying from domestic brands.

Of the respondents, 38 per cent in the consumer segment reported being negatively impacted by trade barriers, with level of customs duties as the top concern (50 per cent of respondents). More than one-third (35 per cent) of respondents from the professional services sector struggled with trade barriers, especially with digital products that are subject to customs procedures that require extra documentations and reduce sales efficiency.

IN THE PAST YEAR, HAS YOUR COMPANY ENCOUNTERED TRADE BARRIERS IN MAINLAND CHINA WITH A NOTICEABLY NEGATIVE IMPACT ON OPERATIONS, IN ANY OF THE FOLLOWING AREAS? (MULTIPLE CHOICE)



NOTE: The number of respondents for this question was 91. "Other" responses are included but not shown in this figure.
SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

“Our automation product used to be duty free for import but now we have to pay 9% import duty. It’s an extra cost compared to local suppliers.”

Industrial company

“Customs can take a very long time to work through the import papers.”

Industrial company

Two out of five Swedish companies are negatively impacted by 'buy domestic' requirements, with industrial companies most affected

Over the past year, the share of Swedish companies that have been impacted negatively by 'buy domestic' requirements increased substantially to 39 per cent, up from 29 per cent in the previous survey. Industrial companies are the most affected, with 56 per cent of respondents saying that their companies have faced issues with 'buy domestic' requirements. Of professional services and consumer companies, 35 per cent and 25 per cent face the same issues.

In comparing results with the survey from 2023, around one-third (31 per cent) of respondents were either negatively treated or fully excluded in specific industries, procurements or tenders due to being a foreign company. Six per cent of respondents reported to be refused to access key stakeholders and 4 per cent of respondents were "forced" to manufacture in Mainland China to fulfil requirements in specific industries, procurement or tenders.

This issue seems to be more prevalent in sectors deemed strategic and the Chinese government is demanding more self-sufficiency - such as defence, security, and infrastructure. To a greater extent, Swedish industrial companies compete in government procurements or have government-affiliated clients, which explains why they are more affected by this type of requirement.

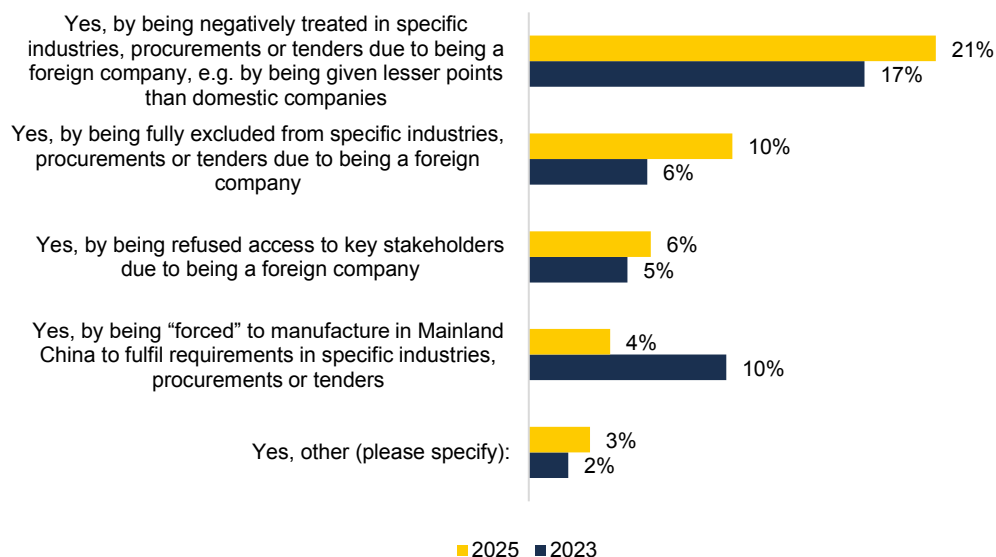
In December 2024, the Ministry of Finance of China drafted a policy proposal to establish a 20 per cent of price advantage for 'Made-in-China' products in government procurement to boost domestic manufacturing and encourage foreign companies to localise, raising concerns about potential protectionism. Although the policy proposal has not yet come into effect, some Swedish companies expressed their concerns and experience of discrimination in government biddings.



Made in China and domestic brands are two things that local competitors tried to misuse in bidding against us.

Industrial company

HAVE YOU EXPERIENCED ANY NEGATIVE EFFECTS ON YOUR BUSINESS IN MAINLAND CHINA DUE TO "BUY DOMESTIC" REQUIREMENTS, AND, IF SO, HOW? (MULTIPLE CHOICE)



NOTE: The number of respondents for this question was 97. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.



Years ago, foreign firms were allowed to bid and compete in tenders, but now we team up with local consortium, sometimes three or four, for the bid.

Industrial company

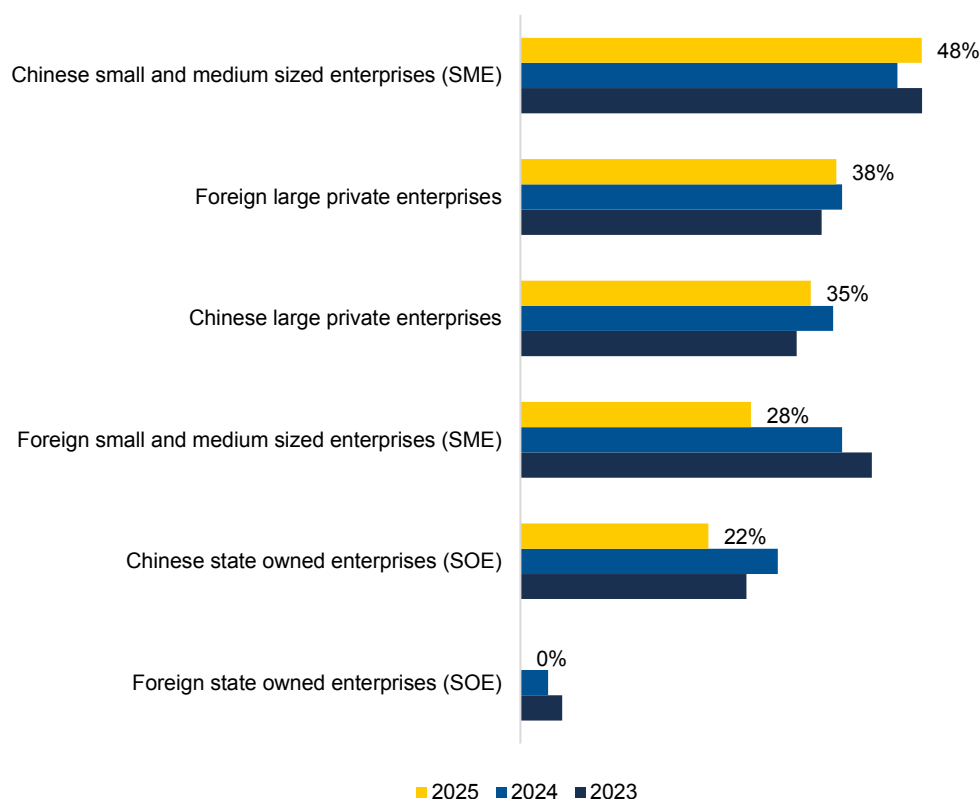
Chinese SMEs remain the toughest competitors for Swedish companies in Mainland China, with price being the key factor

In 2025, the Chinese market remains intensely competitive, with the Chinese players seemingly becoming more competitive, evidenced by Chinese companies taking up two of the top three places in the rank.

As in previous years, Chinese small and medium-sized enterprises (SMEs) are topping the list of competitors to Swedish companies (48 per cent, up from 45 per cent from last year). Of the respondents, 38 per cent view large foreign private enterprises as their biggest competitors. Large Chinese private enterprises have emerged as the top three competitors, rising from fourth place in last year's survey, with 35 per cent of respondents considering them the biggest competitors. Foreign small and medium-sized enterprises (SMEs) dropped to the fourth place in the rank with more than a quarter (28 per cent) of respondents considering them as the biggest competitors. In 2023, foreign SMEs were viewed as the toughest competitors only after Chinese SMEs.

Just as observed in previous years, Swedish companies tend to face larger competition with companies within the same size category. Small Swedish companies compete more with Chinese SMEs. Medium-sized Swedish companies compete more with foreign SMEs. Large Swedish companies face more competition with large Chinese private enterprises.

WHO ARE YOUR MAIN COMPETITORS IN MAINLAND CHINA? (MAXIMUM 3 ALTERNATIVES)



NOTE: The number of respondents for this question was 72. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.



Especially in the past two years, we have been often surprised to see how Chinese brands have improved, not yet premium but good enough for some customers.



Competition is not entirely a bad thing. Our competitors also helped to build consumer awareness of our segment and even Sweden as a country.

Consumer company

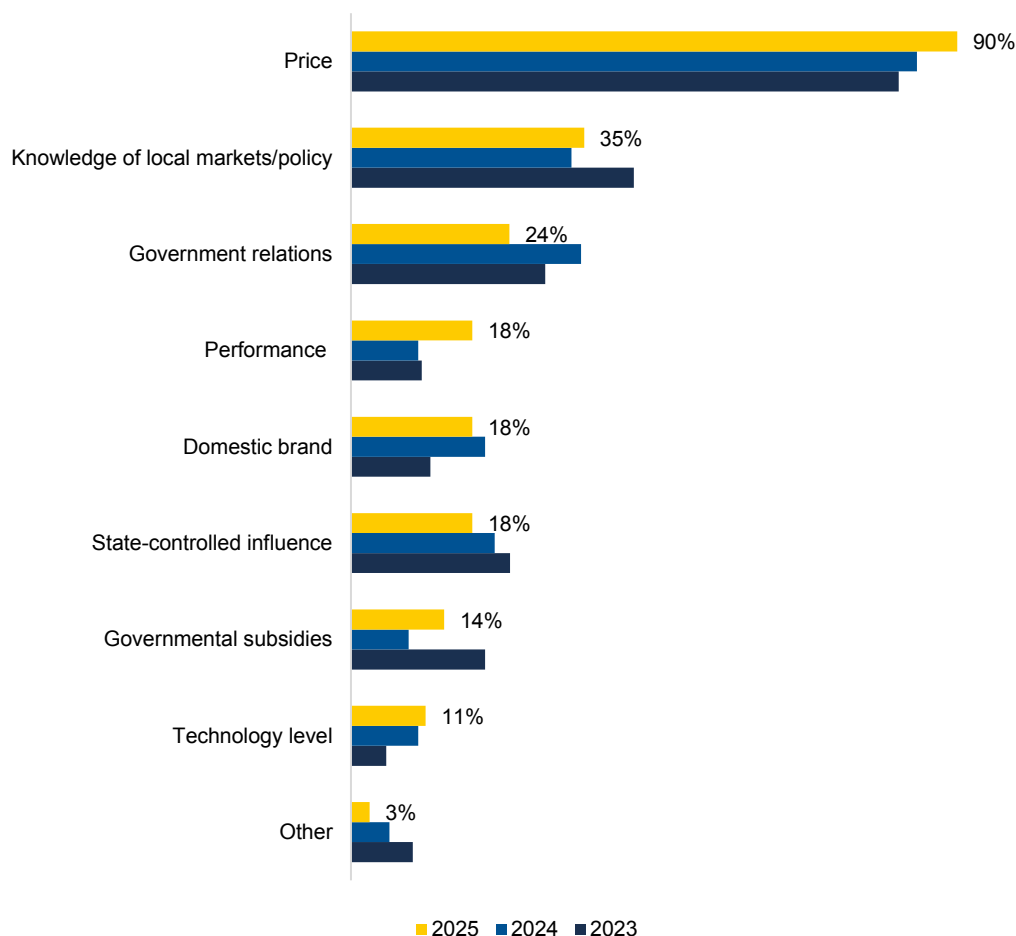
Price continues to be the most important factor in how Chinese competitors stand out in the market, with 90 per cent of respondents identifying it as one of the top three factors, up from 84 per cent in 2024. Given the increasingly challenging economic environment, the heightened price sensitivity of the market is unsurprising. The intense level of price competition also drew the attention from the central Chinese government. In the Government Work Report released during the Two Sessions¹ this year, one of the prioritised tasks for 2025 is rectifying 'involution' in competition while building a more regulated marketplace. However, the efficacy of government intervention on malicious price competition has not been presented. Several Swedish companies reported surprise over the low prices offered by their Chinese competitors. As in previous years, knowledge of local markets/policies and government relations remain the other top-ranked factors.

“
Fierce price competition on a level we have not seen before.”

Diving into industry differences, apart from price and knowledge of local markets and policies being the most influential factors for all industry players, having a domestic image is also key in competition for industrial companies. For professional services companies, government relations matter as much as knowledge of local markets. This is likely a natural effect of industrial and professional services companies more often being active in strategic sectors of government concern, as well as more often having government as a customer. For consumer companies, performance is identified to be the second most important factor, equivalent as knowledge of local markets and policies, in their competition with the Chinese brands.

Industrial company

WHAT MAIN FACTORS MAKE CHINESE COMPETITORS STAND OUT WHEN IT COMES TO COMPETITION? (MAXIMUM 3 ALTERNATIVES)



NOTE: The number of respondents for this question was 72. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

“
We do not have government relationships like local companies do, but decision makers of our clients are governments.”

Industrial company

“
As a Swedish company, we are not going to compromise our product quality for unreasonably low prices.”

Industrial company

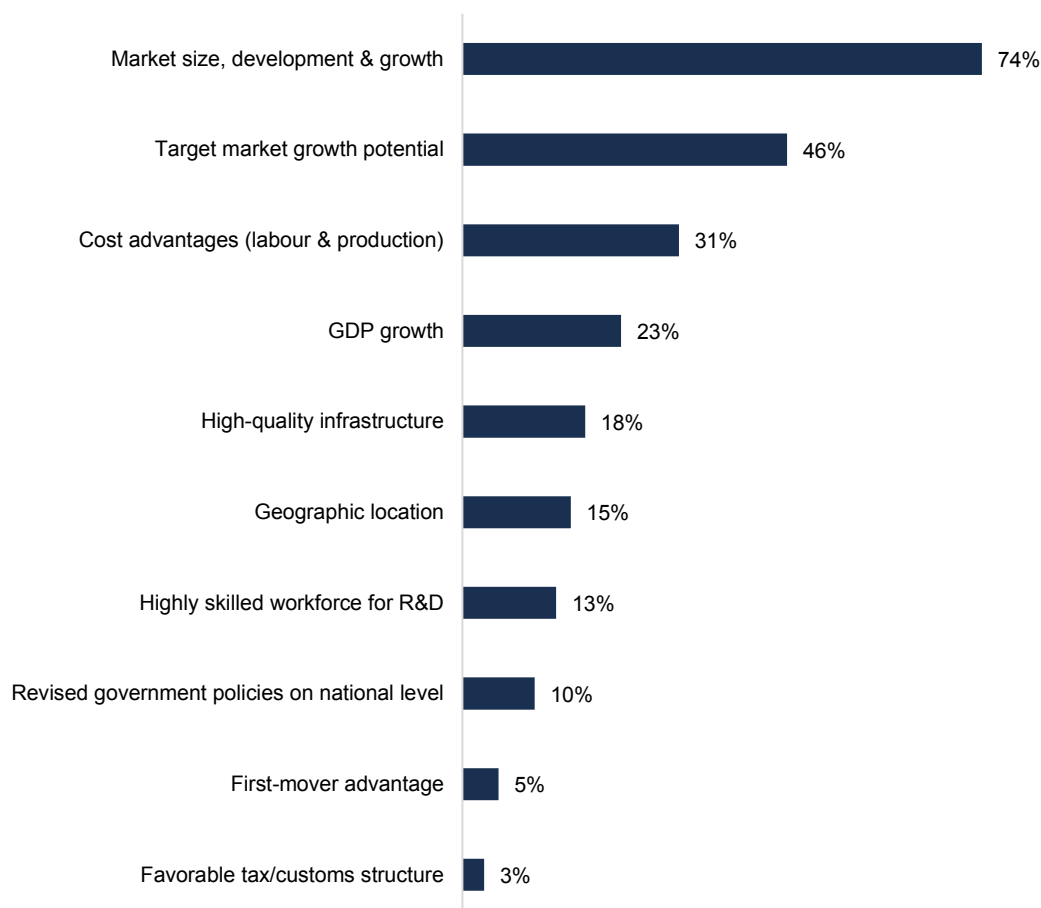
¹ The State Council, [What to know about China's 'two sessions'](#)

Key drivers of business opportunities in Mainland China are market size, growth potential, and cost advantages (labour and production)

In the short term, most Swedish companies in China expect opportunities to stem from the size and growth of the Chinese market as well as cost advantages related to labour and production, the same as results from the 2024 survey. GDP growth which was one of the top three factors contributing to opportunities for Swedish companies is only considered favourable by less than a quarter of Swedish companies in 2025. In line with the previous finding, the economic slowdown in China rather appears to be the most challenging factor for Swedish companies in China.

The finding is valid for most companies of all sizes and sectors. However, small companies and industrial companies still see China's GDP growth as a more important driver for business opportunities than cost advantages. Consumer companies view high-quality infrastructure as important as cost advantages being the third most important driver of business opportunities.

WHAT ARE THE KEY EXTERNAL FACTORS CONTRIBUTING TO OPPORTUNITIES FOR YOUR COMPANY IN MAINLAND CHINA IN THE SHORT TERM?



NOTE: The number of respondents for this question was 97. "Don't know/Not applicable", "Other" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.



Our commitment to the Chinese market is long-term.

Industrial company



Although product margin is not attractive here due to competition, the market size makes China very important.

Industrial company



The mass of the Chinese market is more important than the growth rate to Swedish companies.

Professional services company

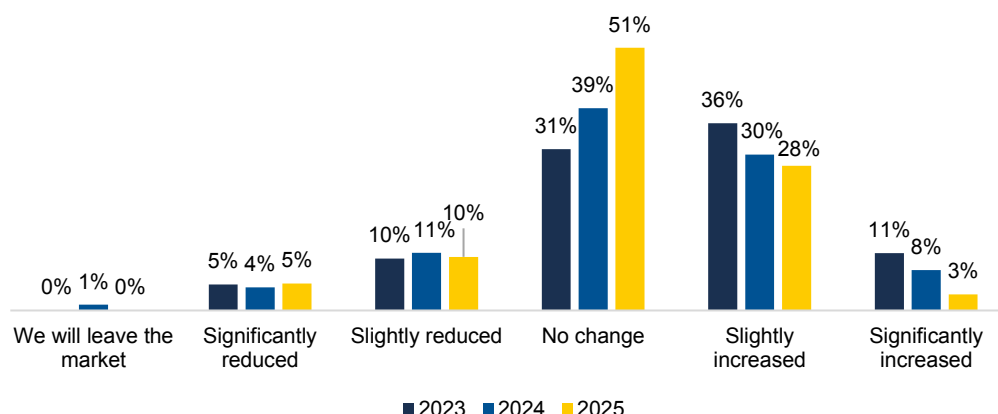
Planned investment continues the decreasing trend; more than half of companies will ‘wait and see’

In the coming 12 months, 31 per cent of Swedish companies in China are looking to increase their investments in the country, down by seven percentage points from 2024, marking a second consecutive year of decrease since 2023. The number of companies maintaining the same level of investment as the previous year has increased further from 30 percent to 51 per cent in 2025. Of the surveyed companies, 15 per cent say they will reduce investments over the coming 12 months, down slightly from 16 per cent last year. The combined proportion of Swedish companies maintaining or increasing investment in Mainland China over the coming year indicates the strategic importance of China to Swedish companies. Some companies emphasised the long-term commitment in expanding in China due to the business opportunities from this sizeable market, readiness of supply chain and innovation capabilities in China.

By size, small companies (36 per cent) are the most willing to increase investment in the coming 12 months. Only one-quarter of medium-sized companies plan to increase investments in Mainland China in the coming year.

When comparing across sectors, nearly half of professional services companies (48 per cent) are planning to increase investments. Nearly one-third of industrial companies (31 per cent) plan to increase investments. Consumer companies (19 per cent) are the least willing to increase investment.

WHAT ARE YOUR COMPANY'S INVESTMENT PLANS FOR THE NEXT 12 MONTHS IN MAINLAND CHINA, COMPARED TO THE PAST 12 MONTHS?



NOTE: The number of respondents for this question was 97.
SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

In 2024, Swedish companies are primarily looking to invest in improved cost competitiveness through efficiency, the same as last year. This trend is driven mainly by large and medium-sized companies, of which 44 per cent and 38 per cent, respectively, chose this option as one of the top three areas for increased investments. By sector, improving cost competitiveness via efficiency matters the most to consumer companies (44 per cent) and industrial companies (41 per cent).

Increasing service offering (23 per cent) ranks as the second priority for Swedish investments in China, especially for small companies and professional services companies.

In third place, around a fifth (21 per cent) of companies plan to invest to increase innovation and drive differentiation of products and services. Almost a third of professional services companies (32 per cent) emphasise the same importance of investments in innovation and differentiation and increasing service offerings.



We will continue driving both organic and inorganic growth in China.

Industrial company



We will pause M&A activities in China until the whole picture is clearer again.

Industrial company



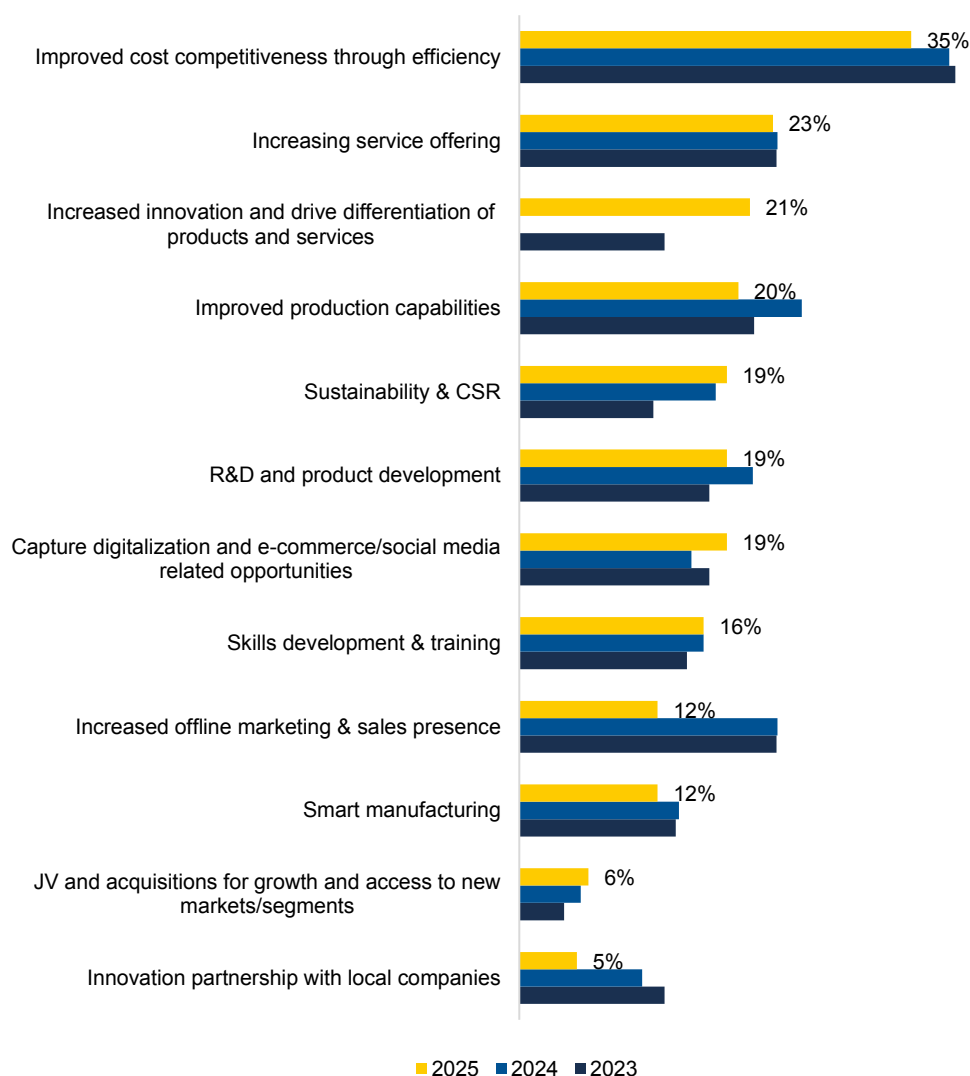
Previously our industrial clients could gain a lot without making too much effort, but now they have to be on their toes to compete, especially through investing in innovation.

Professional services company

Besides the top three areas, some other aspects are also seeing increased value to Swedish companies. The importance of capturing digitalisation and e-commerce/ social media-related opportunities receives a higher emphasis from 19 per cent of respondents compared to 15 per cent in 2024. Naturally, consumer companies pay great attention in this regard, but both industrial and professional services companies also give higher prioritisation to digitalisation related opportunities compared with last year. Some industrial companies noted that they have benefited from generating leads through a well-managed online presence on top of investing in trade shows to seize business opportunities offline.

Additionally, joint ventures (JVs) and acquisitions for growth and access to new markets/segments see a slight but continuous rise in priority, especially for industrial companies. Several industrial companies share the strategic interest in capturing complementary capabilities from the local market through acquisitions to keep up with the pace of innovation in China and strengthening competitiveness.

WHICH ARE THE AREAS WHERE YOU PLAN TO INCREASE YOUR INVESTMENTS THE MOST? (MAXIMUM 3 ALTERNATIVES)



Companies can not fully rely on local partners to help improve business performance, but ourselves need to continuously optimise operational efficiency.

Consumer company



We have broadened our business scope by expanding client segments and geographical coverage.

Professional services company

NOTE: The number of respondents for this question was 97. "Don't know/Not applicable" responses are included but not shown in this figure. Maximum 3 alternatives.

SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

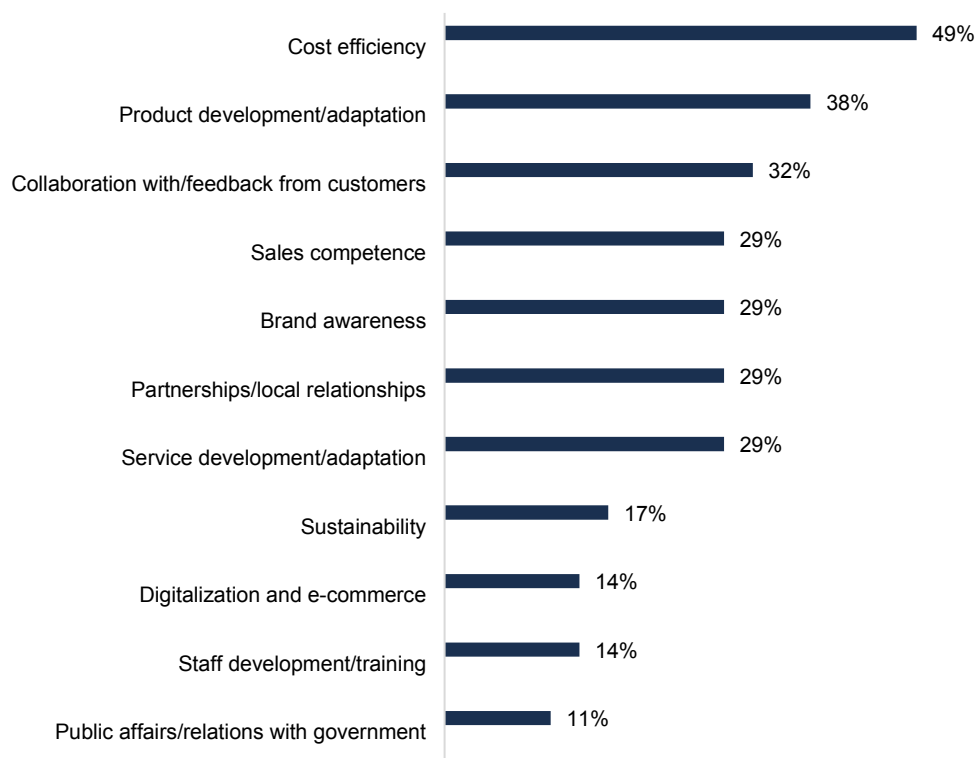
Cost efficiency continues to be the most important factor for maintaining competitiveness in Mainland China

In 2025, Swedish companies continue to see cost efficiency (49 per cent) as one of the most important factors for maintaining competitiveness in the Chinese market. Product development and adaptation (38 per cent) ranks second, similar to previous years.

However, since 2024, collaboration and feedback from customers have risen in importance from a lower rank and become the third most important factor for almost a third of Swedish companies (32 per cent). Understanding consumer demand is a prerequisite for effective adaptation of offerings in a fast-changing market. It aligns with the finding above that companies prioritise investing in improving innovation and exploring differentiation of supply.

Besides, sales competence, brand awareness, partnerships and local relationships, and service development and adaptation are equivalently important to over a quarter of Swedish companies in this year's survey.

TO DATE, WHICH OF THE FOLLOWING AREAS HAVE BEEN IMPORTANT IN MAINTAINING COMPETITIVENESS IN MAINLAND CHINA? (MAXIMUM 3 ALTERNATIVES)



NOTE: The number of respondents for this question was 96. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.



Great service provided close to our customers keeps us competitive, because many local competitors did not invest as much as we do on it.

Industrial company



We have great product lines, but we don't have cheaper versions. We will improve cost efficiency to some extent here.

Industrial company

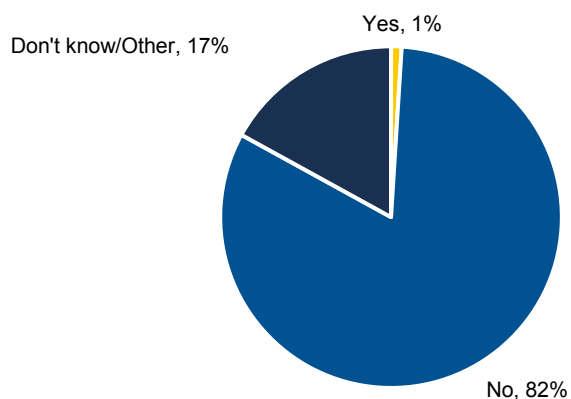
Almost all Swedish companies are unaware of any forms of decoupling between their headquarters and Mainland China in the past two years

Of the respondents, 99 per cent say that they either have not experienced any forms of decoupling between their headquarters and Mainland China in the past two years or that the question is not applicable to their situation, up from 90 per cent in 2024.

Decoupling has been less frequently mentioned in the last two years. Companies tend to be more certain about keeping China as a strategic market which is reflected in the previous parts of this report as 82 per cent of respondents report that their investments in China will either be increased or remain unchanged.

While a large majority of companies, according to interviews, do not report experiencing 'decoupling', some companies have developed a 'dual-strategy' that ensures more than one sourcing origin and capabilities to supply to regional demand and manage risks of changing geopolitical landscape. One respondent shared that their company terminated a project in China and another mentioned separating IT systems as a way to de-risk.

HAVE YOU EXPERIENCED ANY FORM OF DECOUPLING BETWEEN YOUR COMPANY'S HQ AND MAINLAND CHINA IN THE PAST TWO YEARS?



NOTE: The number of respondents for this question was 97.
SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.



We are dedicated to the Chinese market in the long term, although we are aware of emerging risks in the short term.

Industrial company

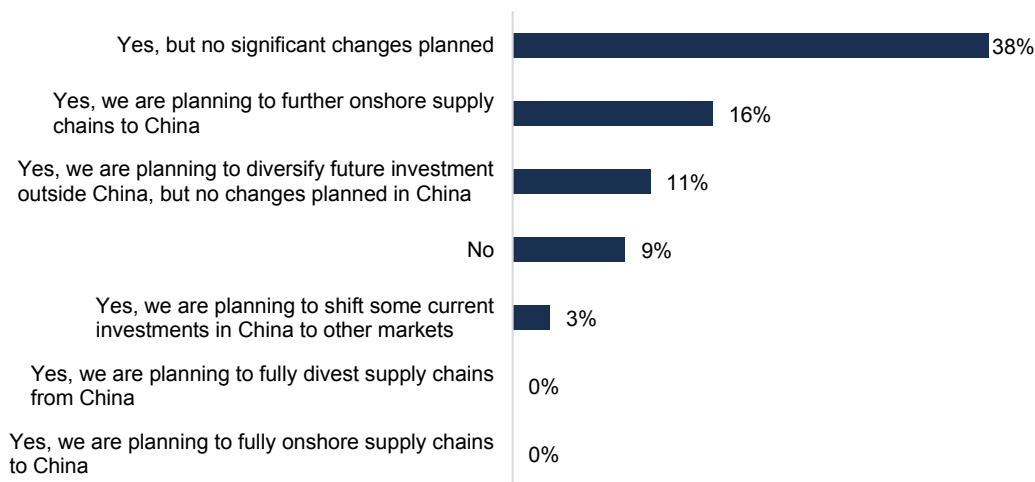
19 per cent of Swedish companies have altered supply chain strategies in Mainland China; most of them are further onshoring

In the past two years, 68 per cent of the responding companies have reviewed their supply chain strategies and 49 per cent have not made significant changes in Mainland China. Of the companies which plan to alter supply chain strategies, most have decided to further onshore investments in China.

Of all respondents, 19 per cent decided to alter supply chain strategies with 16 per cent planning to further onshore supply chains to China, down from 17 per cent last year and 3 per cent diversifying some current investment from China to other markets, down from 4 per cent in 2024. Limited diversification and withdrawal of investments in supply chains in China indicates that, as far as management in China is aware, China will remain an important part of business operations and supply for many Swedish companies.

From a size perspective, large Swedish companies, as opposed to medium-sized companies in the 2024 survey, have a higher tendency to further onshore supply chains in China. Industry-wise, industrial companies (30 per cent) have plans to further onshore supply chains in China.

HAS YOUR COMPANY REVIEWED ITS SUPPLY CHAIN STRATEGIES IN THE PAST TWO YEARS?



NOTE: The number of respondents for this question was 97. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

The top three reasons for companies that have reviewed their supply chain strategies are cost considerations (61 per cent), strengthening supply chain resilience (52 per cent) and for geopolitical reasons (43 per cent). The top three reasons for companies to review supply chains apply to companies of all sizes across different industries.

Some companies also note that cost optimisation, shortening lead time and adaptation to local demand are the major reasons for further investing in supply chains in China, given the fact that the supply chain advantages in China are still very strong and supply chain optimisation can strengthen competitiveness to compete with local players.



According to our industrial clients, supply chains in China are very reliable.

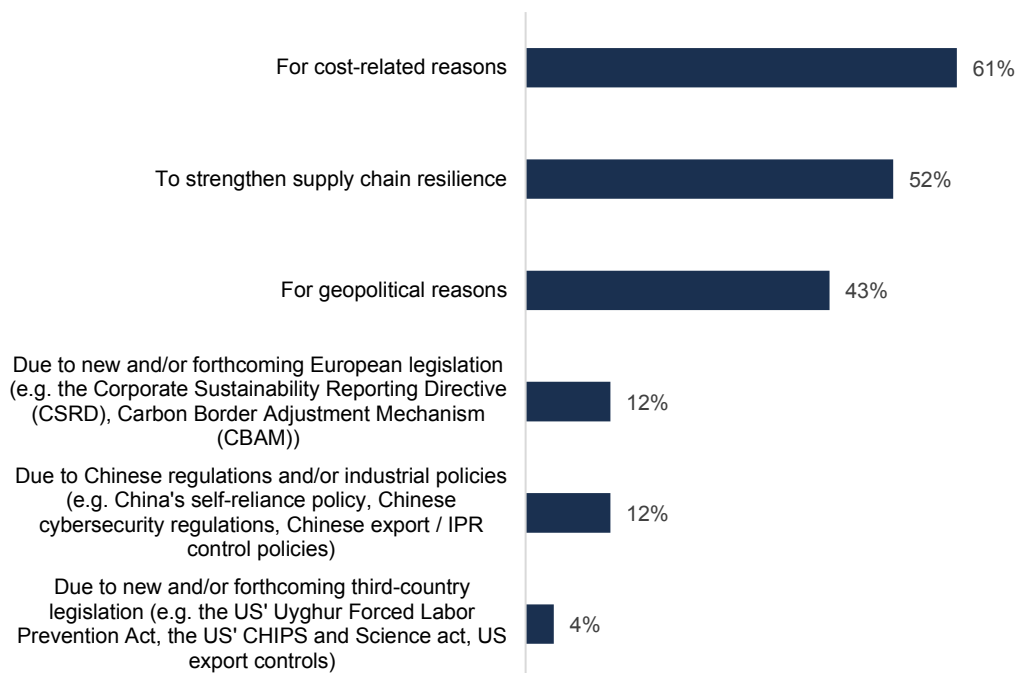
Professional services company



We will further onshore supply chains in China because our group believes in decentralisation and being local for the local market.

Industrial company

WHY HAS YOUR COMPANY REVIEWED ITS SUPPLY CHAIN STRATEGIES?



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

SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

Swedish companies are largely localised in Mainland China with R&D being one exception

Most respondents report that they, to some extent, localise their business across five dimensions in Mainland China. Personnel at the working level are largely localised, with 72 per cent of respondents giving ratings of four or five. Localisation also commonly takes place among staff at the leadership level. Of the respondents, 60 per cent largely localise the leadership staff. Deep localisation in supply chain and IT infrastructure was selected by 48 per cent and 40 per cent of respondents respectively. Less than one-third of companies (28 per cent) localise R&D to a large extent in China.

Compared to the average level of localisation in the five dimensions, small companies have a higher degree of localisation in leadership level staff and IT infrastructure. Supply chain and R&D are less localised than average. For medium-sized companies, only staff level personnel have a larger extent of localisation than average. Large companies on the other hand, conduct a higher level of localisation in supply chain and R&D.

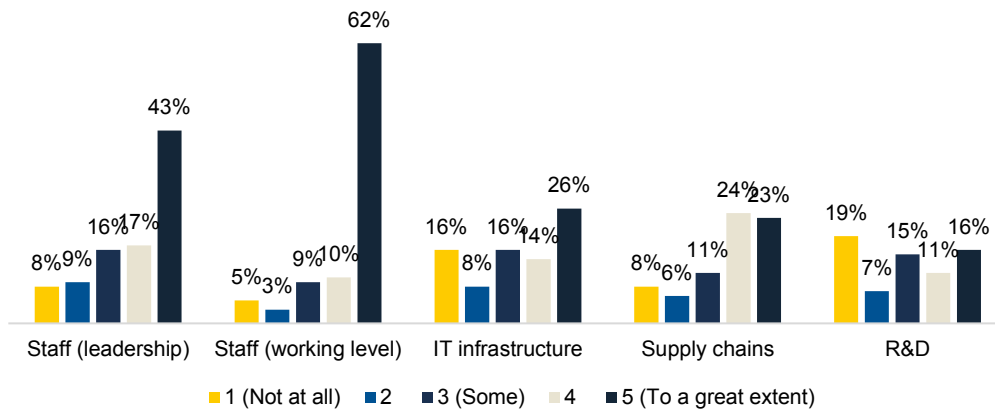
Localisation also varies across sectors. Industrial and consumer companies localise personnel, IT infrastructure and supply chains to a larger extent in comparison with professional services companies. Professional services companies have a relatively higher level of localisation in R&D (42 per cent) in China compared to the other two sectors. Industrial companies are the least localised in terms of R&D (23 per cent). Intellectual property protection is a key concern for some industrial companies which creates cautiousness in localising R&D.



We have separate regional divisions from production to sales in China, the U.S. and Europe to serve the local markets.

Industrial company

PLEASE INDICATE THE EXTENT OF LOCALISATION THAT HAS TAKEN PLACE IN YOUR MAINLAND CHINA OPERATIONS IN THE FOLLOWING AREAS IN THE PAST FIVE YEARS



NOTE: The number of respondents for this question was 98. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

Near-term plans to expand geographically decreased further; most planned expansions are in Guangdong, Jiangsu, and Zhejiang

Of all respondents, 22 per cent of Swedish companies said they plan to expand their business to other parts of Mainland China from where they are currently located over the next three years – down from 28 per cent last year. This aligns with the decrease seen in companies' investment plans.

Among the different sectors, consumer companies (25 per cent) and professional services companies (24 per cent) show a larger appetite for expanding their geographic footprint compared with their industrial (18 per cent) peers. No obvious difference is observed in expansion willingness across companies of different sizes in 2025. Whereas, in 2024, small companies were more inclined to consider expanding their geographic footprint.

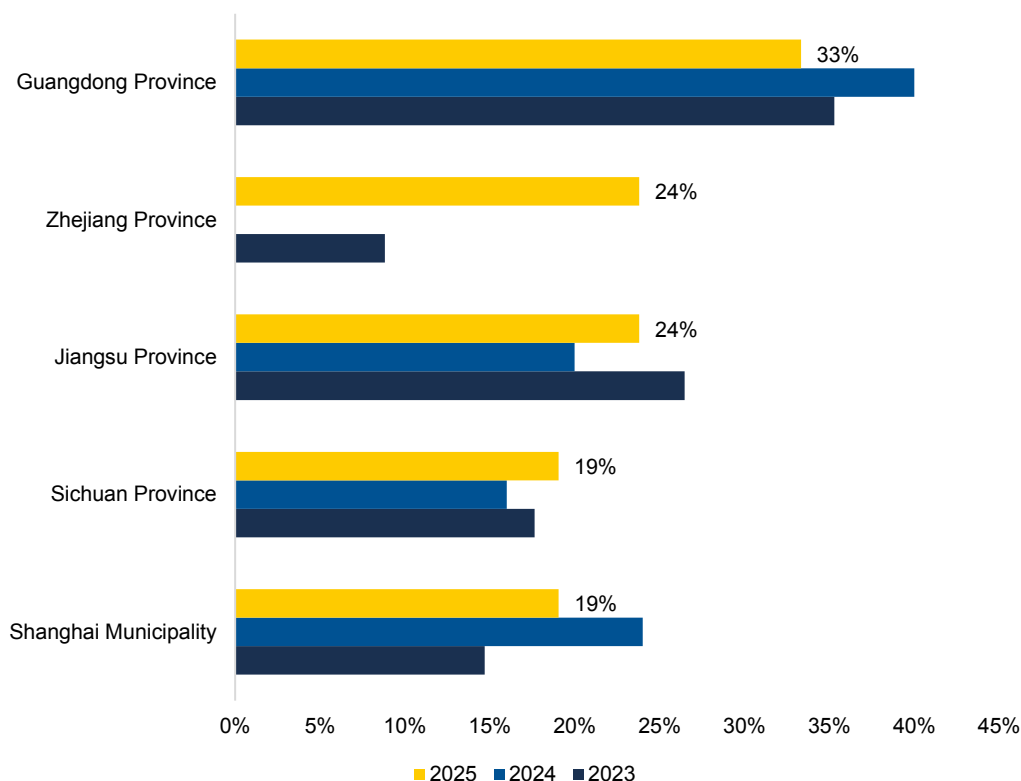
Geographically, Swedish companies are broadly considering the same regions for potential expansion as last year, apart from Zhejiang being the second most chosen region for expansion. As given that Jiangsu and Shanghai top the list along with Zhejiang, the Yangtze Delta Region cluster continues to grow in importance. Guangdong continues to top the list at 33 per cent, down from 40 per cent last year. Sichuan remains to be a key zone for Swedish companies in the Southwest of China.

“

This year, we will open a new office in Shenzhen in the district where our client is located, in order to enhance government relationship.

Industrial company

EXPANSION PLANS FOR SWEDISH COMPANIES IN MAINLAND CHINA – TOP 5 REGIONS



NOTE: The number of respondents for this question was 21. Companies without expansion plans are not included.
SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

Company culture and work-life balance are important for attracting and retaining talent in Mainland China, but so is monetary compensation

As in previous years, Swedish companies in China see company culture (77 per cent) as the most important factor for attracting and retaining talented staff. Work-life balance (54 per cent) remains as the second most important factor.

The importance of these factors is not surprising, as a lack of work-life balance at Chinese companies has been a long-standing problem. In contrast, many Swedish companies offer flexibility and an agile working environment as central pillars. Several companies highlight these two factors as critical for talent retention.

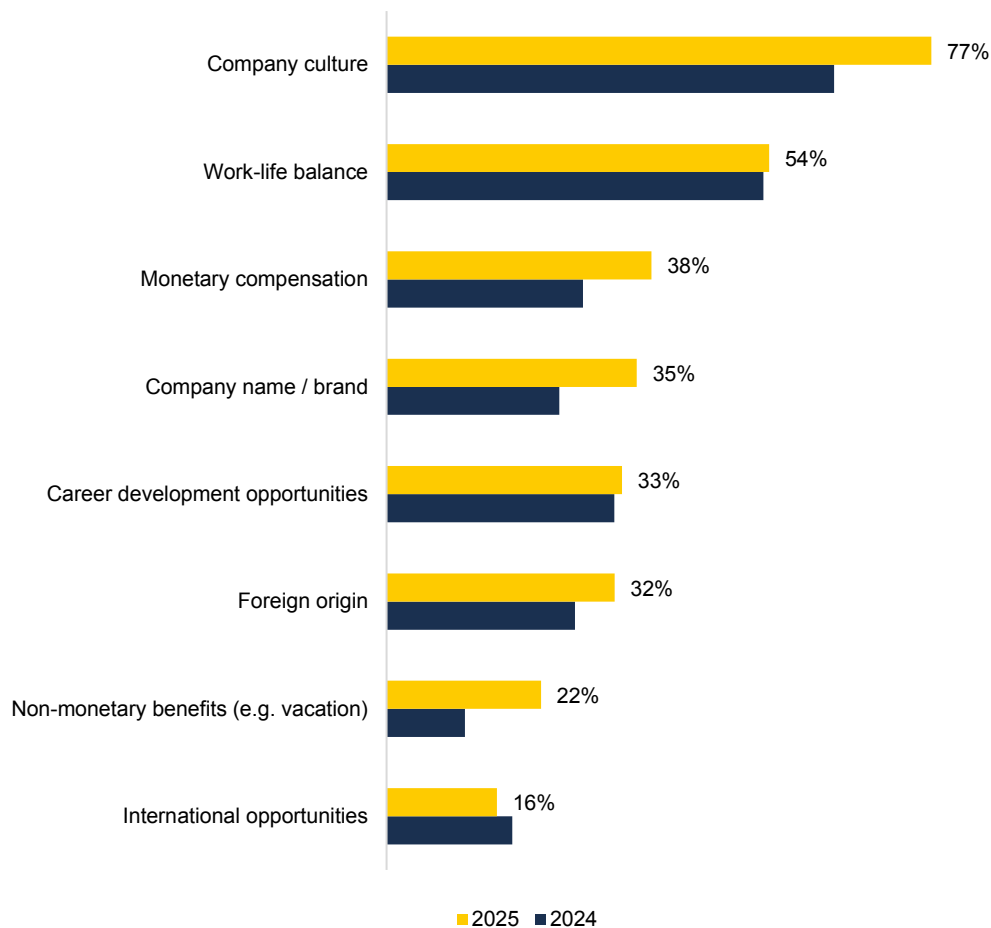
At the same time, monetary compensation (38 per cent) has become substantially more important than in 2024 and ranks third in 2025. Several companies acknowledge that monetary compensation is the most crucial factor in attracting new talents.



For senior hiring, apart from compensation, they also care more about company culture and work-life balance.

Professional services company

COMPARED TO COMPETITORS IN THE MARKET, WHICH OF THE FOLLOWING FACTORS ARE MOST IMPORTANT FOR YOUR COMPANY WHEN IT COMES TO ATTRACTING AND RETAINING THE RIGHT TALENT FOR YOUR OPERATIONS IN MAINLAND CHINA? (MAXIMUM 3 ALTERNATIVES)



“

People are our biggest asset. We offered very good packages to our employees despite the undergoing industry downturn.

NOTE: The number of respondents for this question was 96. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

Industrial company

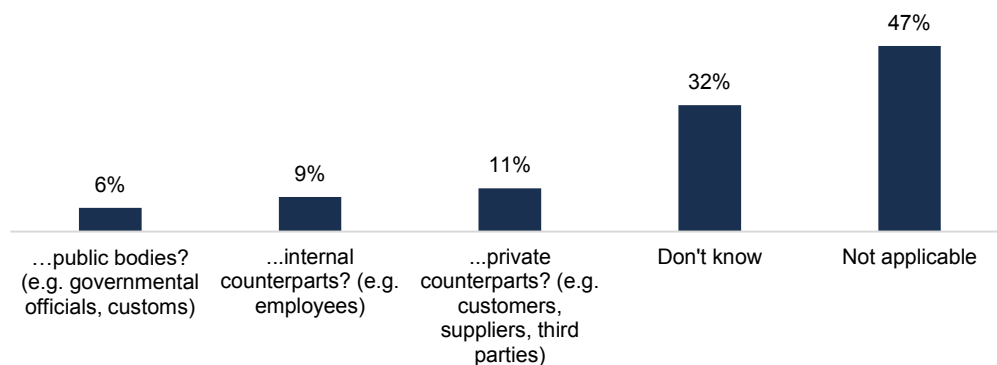
ACTING SUSTAINABLY

One in five Swedish companies have been exposed to corruption in Mainland China

Over the past decade, anti-corruption campaigns have been a top priority for the Chinese government, marked by a series of crackdowns on officials at all levels to root out graft and enforce political discipline. The results of the Business Climate Survey have, over the years, indicated that the overall situation has improved. Since last year, China's ranking in Transparency International's Corruption Perceptions Index in 2024² has decreased by one position. The country however remains in the 76th position which is worse than the recent best rank of 65th in 2022.

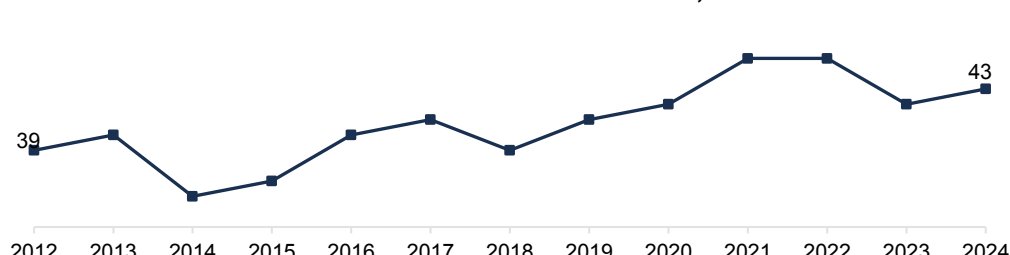
This year, the majority (80 per cent) of respondents say that they are unaffected by corruption, and the exposure to corruption has remained stable for Swedish companies in China in recent years. However, 20 per cent of all respondents still report having been exposed to corruption in dealings with private counterparts, internal counterparts, or public bodies, down from 27 per cent last year. Across sectors, industrial companies report a higher incidence of corruption in China, due to the fact that their clients are often governments and state-owned companies. One company suffered severe losses from failed biddings against its Chinese competitors which did not have more competitive solutions but rather closer relationships with the governmental clients.

HAS YOUR COMPANY IN MAINLAND CHINA BEEN EXPOSED TO CORRUPTION SUCH AS, BUT NOT LIMITED TO, ATTEMPTS OF BRIBERY OR FRAUD IN CONTACTS WITH ANY OF THE FOLLOWING AREAS? (MULTIPLE CHOICE)



NOTE: The number of respondents for this question was 91.
SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

CORRUPTION PERCEPTION INDEX 2024- SCORE 43/100, RANK 76/180



SOURCE: Transparency International. 100 is very clean and 0 is highly corrupt.

“Low prices and relationship to the government seem to be the only evaluation criteria in bidding for local governments. We first won the bidding and then were told we lost it.”

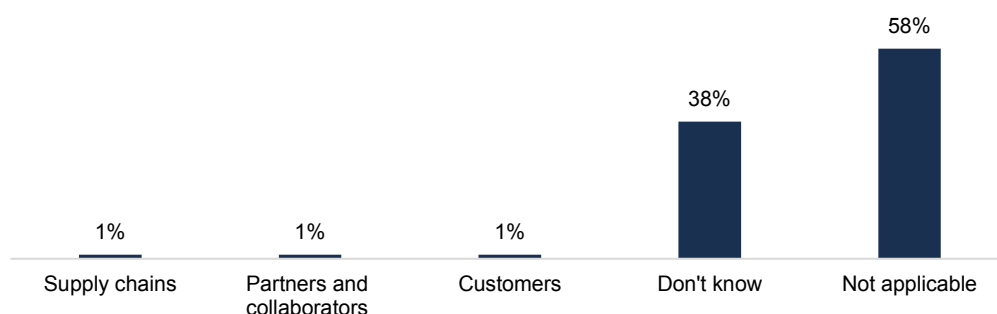
²Transparency International: Corruption Perception Index 2024. <https://www.transparency.org/en/countries/china>

Only 3 per cent of Swedish companies are aware of exposure to human or labour rights violations in their Mainland China operations

As in previous years, in response to this year's survey question on issues regarding human rights violations and/or labour rights abuse, a majority of respondents (97 per cent) said that they have not encountered or do not know about any such issues. Among all participants in the survey, three companies from the industrial and professional services sector reported encountering human rights violations and/or labour rights abuse in the past year.

Despite the positive survey responses, it is important to note that many foreign governments, civil society groups, as well as United Nations officials have for several years expressed growing concern over the Chinese government's record when it comes to human rights issues.

HAS YOUR COMPANY IN MAINLAND CHINA ENCOUNTERED ANY FORM OF HUMAN RIGHTS VIOLATIONS AND/OR LABOUR RIGHTS ABUSE IN CONTACTS WITH ANY OF THE FOLLOWING AREAS? (MULTIPLE CHOICE)



NOTE: The number of respondents for this question was 91.

SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

Around a quarter of Swedish companies face challenges in their environmental efforts in Mainland China – ensuring supply chain transparency is the biggest challenge

China is soon reaching the mid-point of its 2030 carbon peak goal by the end of 2025, since the announcement of the “Dual Carbon Goals” in 2020. So far, the country has been continuing to navigate the complex balance between economic growth, energy security, and carbon reduction. While China's carbon emission and coal consumption are still rising, China has made significant strides in building up regulatory frameworks and systems to support the green transition, as well as massively and rapidly expanding renewable energy capacity, especially solar and wind.

China's strengthened environmental efforts appear to be reflected in the survey responses. Around a quarter (24 per cent) of Swedish companies still face challenges in their environmental efforts in China in 2025, down from 34 per cent in 2024. Medium-sized companies face more environmental challenges than small (20 per cent) or big companies (22 per cent) with 29 per cent of respondents reporting having such problem.

A more obvious difference is observed across industries. Consumer companies (44 per cent) face much bigger challenges than industrial (21 per cent) or professional services companies (20 per cent). This finding differs from last year when industrial companies (42 per cent) used to face greater challenges in this regard and consumer companies (31 per cent) faced moderate levels of challenges in environmental efforts.

In the last three years, the most common challenge for Swedish companies in China persists as the difficulty of ensuring transparency in the supply chain. This survey notes that around half (48 per cent) of respondents reported it as a problem in 2025, up from 45 per cent in 2024. Traceability with small and medium-sized local suppliers continues to be challenging for some Swedish companies.

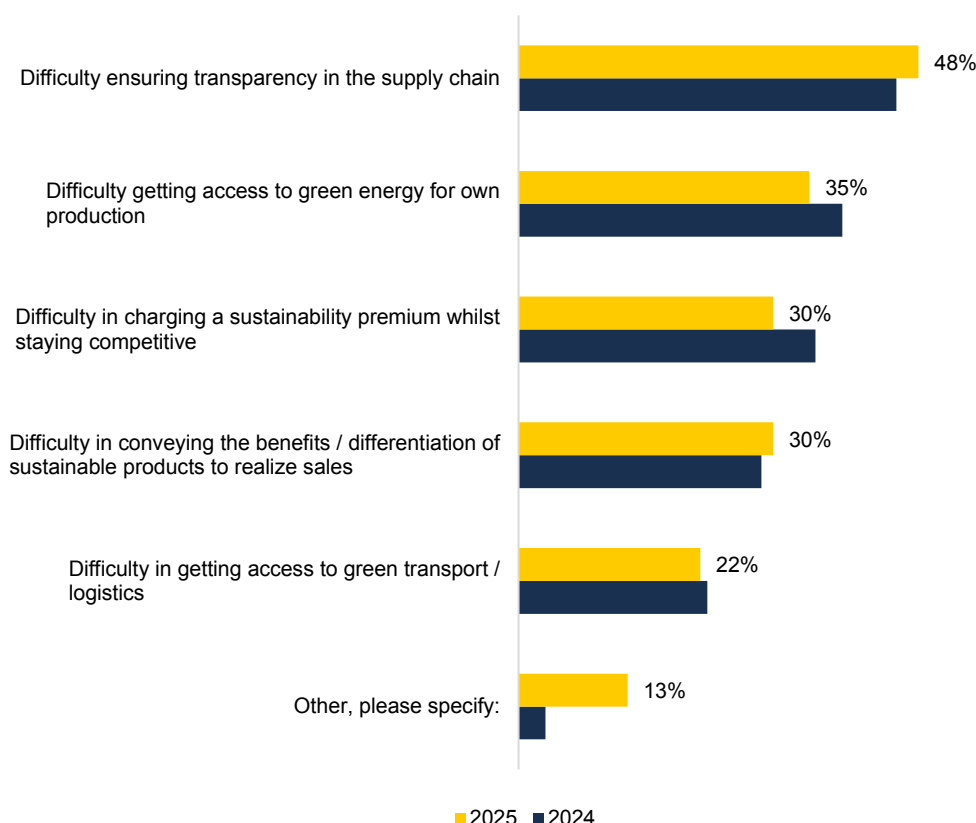
The rank of other challenges that companies have in making environmental efforts remains the same. Having access to green energy for production is the second biggest challenge for 35 per cent of the companies, down from 39 per cent last year. A possible explanation is the increasing green energy capacity installed becoming more available to the Swedish companies in China.

Two challenges rank equivalently the third on the list, which are the difficulty to charge a sustainability premium whilst staying competitive and the difficulty in conveying the benefits and differentiation of sustainable products for realising sales.

WHAT CHALLENGES DO YOU EXPERIENCE IN YOUR ENVIRONMENTAL EFFORTS IN MAINLAND CHINA? (MULTIPLE CHOICE)

“We are required by customers to be compliant with regulations, but we can hardly be rewarded by investing to meet compliance.”

Industrial company



“Compared to 10 years ago, environmental awareness has improved a lot, but improvement in the past year or two was minor but steady.”

Professional services company

NOTE: The number of respondents for this question was 97.
SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

Consumer awareness of environmental and climate issues appears to have decreased compared to 2024, but remains higher than in 2023. Of respondents, 33 per cent say that the customers in their industry care much or very much about environmental aspects in their purchasing decisions, down from 43 per cent in 2024.

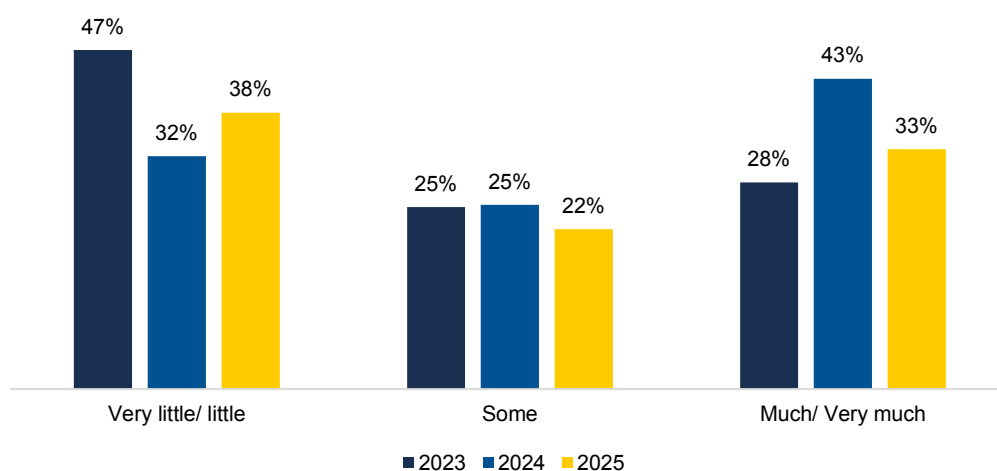
As in last year, consumer companies' (43 per cent) customers appear to care the most about the environment in their purchasing decisions. More than a third of professional services companies (36 per cent) agree that their customers consider about environmental aspects in their purchasing decisions. However, only less than a third (32 per cent) of industrial companies reporting their customers consider environmental aspects when making purchasing decisions.

This finding aligns with the earlier observation that Swedish companies are struggling to charge a sustainability premium. This challenge is not unexpected, given the backdrop of weak consumption and intense price competition. More importantly, several companies report that while clients acknowledge their environmental efforts, they lack a clear understanding of the connection between these efforts and the value of paying a sustainability premium. Enhancing this understanding will require significant efforts in raising awareness, which will take time.

“
Environmental awareness is still low, not yet a belief of the society.

Industrial company

TO WHAT EXTENT DO CUSTOMERS IN MAINLAND CHINA CONSIDER ENVIRONMENTAL ASPECTS OF A PRODUCT OR SERVICE IN THEIR PURCHASING DECISION?



NOTE: The number of respondents for this question was 97. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

“
We twist the storytelling of our brand in the Chinese market and CSR appears at the end of all appealing factors because consumers do not care much of it.

Consumer company

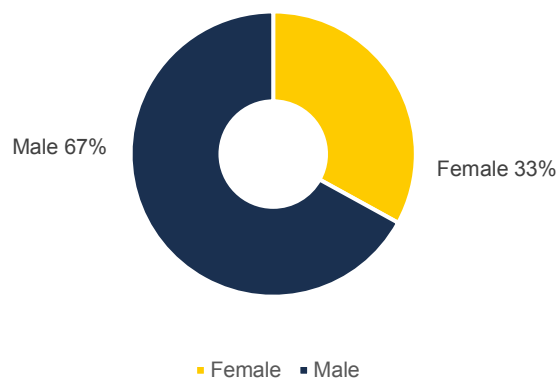
SWEDISH COMPANIES' FOOTPRINT IN MAINLAND CHINA

Women make up a third of the workforce at Swedish companies in Mainland China, the share of expats is less than one per cent

According to this year's survey, the gender balance in Swedish companies' workforce has worsened after an improvement last year. Women now make up around 33 per cent of the workforce at Swedish companies in China, a decrease of 11 percentage points from 2024, falling below the 2023 level of 35 per cent.

Gender balance varies significantly across industries. Consumer companies are the most gender-balanced, with a 45/55 split between men and women, while industrial companies have the most imbalanced distribution, with a 72/28 split. For professional services companies, the split is 59/41 between male and female employees.

SWEDISH COMPANIES' EMPLOYEE DEMOGRAPHICS IN MAINLAND CHINA



NOTE: The number of respondents for this question was 93.
SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

The share of foreign nationals in Swedish companies saw a slight rebound last year but decreased again in 2025. The expatriate share of Swedish company staff in China has declined steadily from 2.7 per cent in 2021 to a historic low of 0.7 per cent in 2025.



NOTE: The number of respondents for this question was 85.
SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

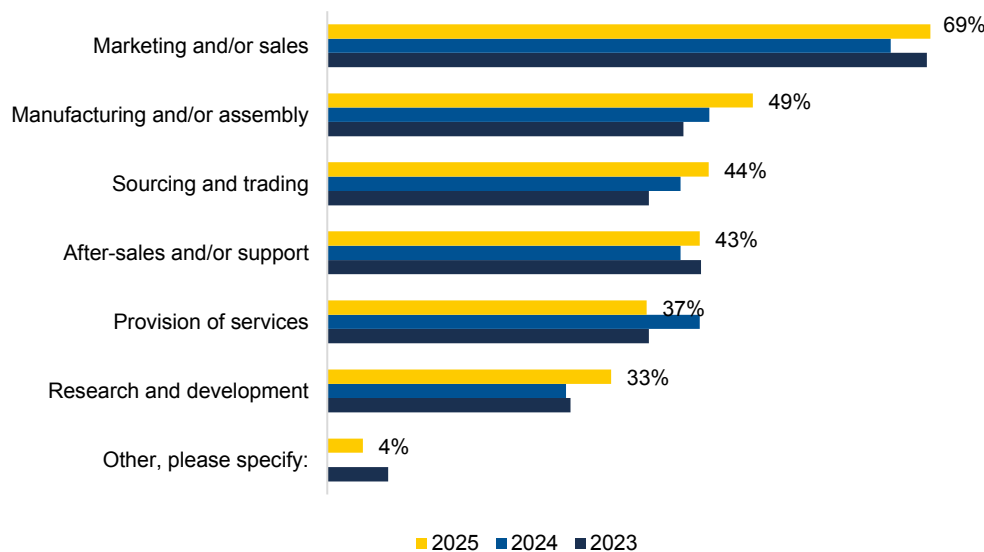
Marketing/sales remains a main focus area for Swedish companies in Mainland China

Despite the geopolitical turmoil in 2024, China remains an important market for many Swedish and global companies, both because of the large Chinese domestic market and its geographically strategic position in the region. In line with last year's findings, marketing and/or sales remain Swedish companies' most frequently used functions in China, at 69 per cent, up from 65 per cent in 2024.

Swedish companies have leveraged China's advantages in integrated supply chains and manufacturing capabilities. Nearly half of Swedish companies (49 per cent) view China as a hub for manufacturing and/or assembly, a trend that has steadily increased over the past three years. Similarly, China continues to serve as a key sourcing and trading base, with 44 per cent of respondents selecting it as such in 2025.

Across functions, research and development (R&D) is the least established among Swedish companies in China. However, more Swedish companies (33 per cent) have R&D functions set up in China in 2025, up from 27 per cent last year. This is in line with the trend of R&D and technical services becoming the second largest inbound foreign direct investment category in China since 2022. According to the latest Foreign Investment Statistical Bulletin of China 2024, over 37 per cent of the actual amount of foreign capital used in 2023 was directed towards the high-tech sector.³ China ranked 11th on the Global Innovation Index in 2024, climbing from 14th in 2020.⁴

OPERATIONS OF SWEDISH COMPANIES IN THE MARKET (MULTIPLE ANSWERS POSSIBLE)



NOTE: The number of respondents for this question was 98. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

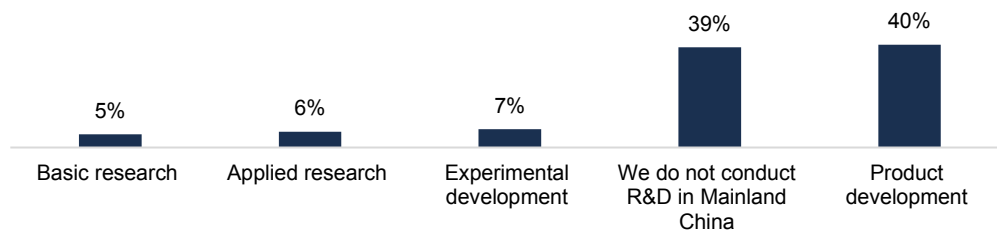
³ 20250107150610676 中国外资统计公报 2024.pdf

⁴ China Ranking in the Global Innovation Index 2024.

Over 60 per cent of Swedish companies carry out R&D and innovation in Mainland China, mainly focusing on product development

Of all respondents, 61 per cent of Swedish companies carry out R&D activities in China. Product development is the main focus with 40 per cent of Swedish companies dedicating themselves to this area. More fundamental R&D activities are not commonly conducted in China: 7 per cent have experimental development, and 6 per cent and 5 percent conduct applied research and basic research, respectively.

WHAT TYPE OF R&D AND INNOVATION EFFORTS DOES YOUR COMPANY FOCUS ON IN MAINLAND CHINA?



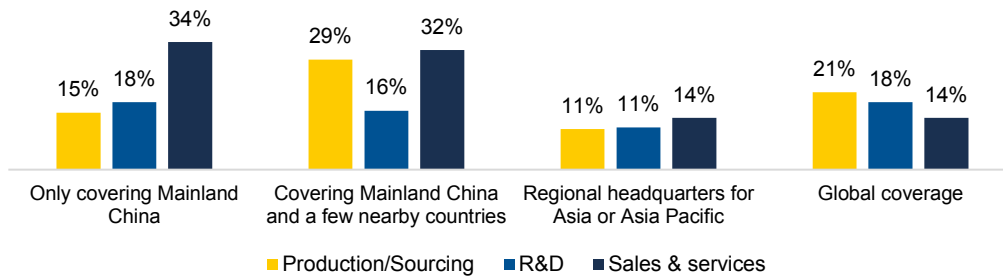
NOTE: The number of respondents for this question was 97. "Other" responses are included but not shown in this figure.
SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

Production/ sourcing and R&D conducted in Mainland China have wider geographical coverage compared to sales and services

Looking at functions, 15 per cent of Swedish companies have production/sourcing focused solely on China, while 18 per cent have R&D dedicated to China. Sales and services are the most locally focused function with more than one-third (34 per cent) of Swedish companies operating in China for China in this regard.

Business activities conducted in China usually serve for a wider geographical coverage, not only in China. For production/ sourcing and sales & services, 61 per cent and 60 per cent of Swedish companies cover other markets from their China operations. For R&D, 45 per cent of Swedish companies in China cover other markets.

WHAT IS THE ROLE OF MAINLAND CHINA FOR YOUR COMPANY FOR THE FOLLOWING AREAS?



NOTE: The numbers of respondents for three areas included in this question were 92, 89, 94. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

The value of Sweden's brand has rebounded for Swedish businesses in Mainland China, especially strong in the consumer sector

The Swedish brand continues to be a valuable asset for companies operating in China. In 2025, respondents noted benefits from associations with the Swedish brand, known for reliability, high quality, sustainability, respect for human welfare, and innovation. The average rating increased to 3.8 out of five, up from 3.1 the previous year.

The result varies significantly across sectors, with consumer companies rating the impact of brand Sweden at 4.1, higher than their professional services (3.6) and industrial (3.4) peers. Several companies highlight that Sweden's reputation for fostering a positive working culture and providing work-life balance continues to play an important role in attracting talent in China.

TO WHAT EXTENT WOULD YOU ESTIMATE THAT THE "SWEDISH BRAND" CONTRIBUTES TO YOUR BUSINESS IN MAINLAND CHINA?



NOTE: The number of respondents for this question was 97. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

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We benefit a lot from being Swedish which reflects purity, nature, science and good welfare.

Consumer company

ABOUT THE SURVEY

The survey aims at understanding Swedish companies' performance in designated markets

The Business Climate Survey for Swedish companies in Mainland China 2025 is a joint initiative by Team Sweden in Mainland China: Business Sweden, the Swedish Chamber of Commerce, the Embassy of Sweden in Beijing, and the Consulate General of Sweden in Shanghai.

The Business Climate Survey has been carried out in Mainland China annually since 2000, as part of a global initiative, with reports published regularly in several markets around the world. The aim of the survey is to improve understanding of the performance of Swedish companies, their perception towards market conditions, opportunities, and challenges, as well as their outlook in the Chinese 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 representatives at the senior management level from 98 Swedish companies in Mainland China, the survey gives a comprehensive perspective on how Swedish companies view the business climate and their own performance in Mainland China; a key player in the world economy, trade, and manufacturing.

Most of the questions in this year's survey are similar to previous surveys to allow for comparison over time. However, some questions have been added or removed to account for changing interests, and some alterations have been made to questions and response options to follow the fast-changing geopolitical landscape and evolving Chinese 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 comparison where relevant.

Respondents represent a mix of sizes and industries

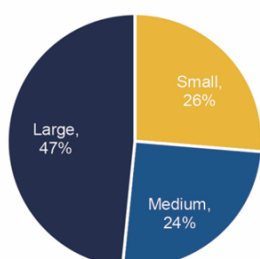
The 2025 survey was conducted between 6 February and 4 March 2025. The response rate was 65 per cent with 98 out of 150 SwedCham members in Mainland China participating. Of the respondents, 47 per cent represent large companies, and 26 per cent are small companies. The remaining 24 per cent are medium-sized companies. 'Large' companies are defined as entities with more than 1,000 employees worldwide, 'medium-sized' companies as entities with 250 to 1,000 employees worldwide, and 'small' companies as entities with less than 250 employees worldwide.

The range of business areas represented in this report was grouped into three general categories: professional services, consumer, and industrial companies. The industry distribution of respondents remains similar to last year's survey. Industrial companies make up the largest share of respondents at 47 per cent, followed by professional services at 32 per cent and consumer companies at 20 per cent, respectively. With regard to sub-segments, industrial equipment and business services have the single largest share of respondents, totalling 29 per cent of all respondents. For the other sub-segments, there have been no significant changes in share compared to last year.

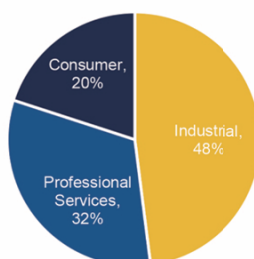
Nearly all responding companies, 99 per cent, have experienced in the Chinese market since 2019 or earlier, while 40 per cent of these companies were established in Mainland China before 2003. Newcomers to the market made up one per cent of all respondents.

As in previous years, most Swedish companies that participated in the survey are based in the economically developed coastal regions of Mainland China. According to the survey, Shanghai has the largest Swedish presence (76 per cent), followed by Beijing (45 per cent). More than one-third of Swedish companies are also located in Jiangsu (36 per cent) and Guangdong (34 per cent).

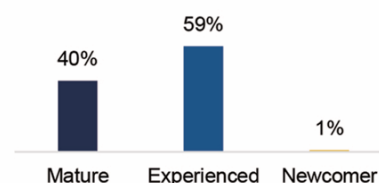
SIZE OF COMPANIES



MAIN INDUSTRY

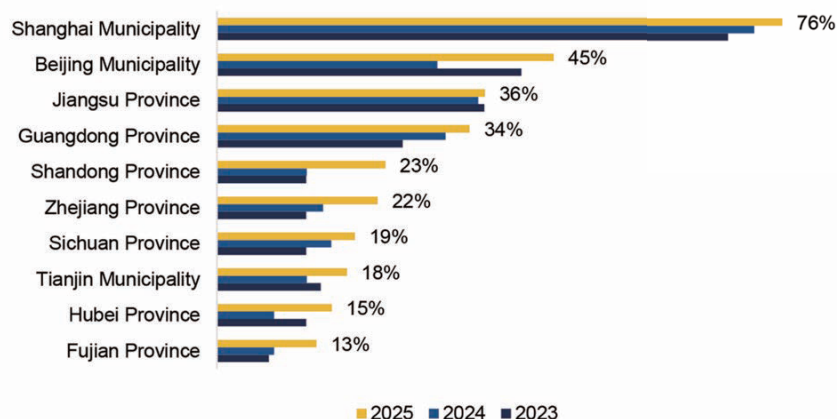


AGE OF COMPANIES



NOTE: The number of respondents for this question was 98. "Other", "Don't know/Not applicable" responses are included but not shown in figure. Mature (-2003), Experienced (2004-2019), Newcomer (2020-)
SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

GEOGRAPHIC FOOTPRINT OF SWEDISH COMPANIES IN MAINLAND CHINA – TOP 10 LOCATIONS



NOTE: The number of respondents for this question was 97. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish companies in Mainland China 2025.

CONCLUDING REMARKS

The 2025 Business Climate Survey aims to strengthen the understanding of the Swedish experience of doing business in China by providing a nuanced picture of the key factors driving Swedish companies' success, as well as increasing appreciation for the challenges brought on by current geoeconomic headwinds.

Team Sweden in China is committed to continuing to support Swedish companies in the Chinese market as well as maintaining the trust and value of the Swedish brand. Our aim is to support Swedish businesses in their global growth journeys and welcome further dialogue about the opportunities and challenges that the Chinese market presents. We welcome you to reach out to us for further discussions.

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