

SWEDEN

1. Introduction




Sweden continues to provide a competitive business environment to companies. It has strengthened its position in terms of digital competitiveness by setting up new initiatives and providing further investment. The proportion of innovative small and medium-sized enterprises (SMEs) in Sweden is rising and SMEs are actively seeking to address environmental issues. Several financial measures have been taken to support SMEs in view of the current COVID-19 pandemic. Due to the pandemic-related uncertainty in the business outlook, overall, companies have been scaling back on plans to grow. SMEs continue to face challenges in hiring workers with digital skills.

Sweden has chosen not to shut down entire sectors of the economy while fighting the pandemic. As a result, SMEs have been less affected by the pandemic compared to the rest of the EU. SME value added declined by 1.4% and employment by 1.9%¹. The *accommodation and food services* sector, however, experienced a particularly sharp contraction, with SME value added declining by 20.9% and SME employment falling by 14.8%. By contrast, the *information and communication* sector continued to grow in 2020, rising by 1.6% in SME value added and by 4.8% in SME employment.

For 2021, a complete recovery is expected in terms of value added, with a rise of 6.6%. However, SME employment is projected to grow by only 0.5%. Overall, in 2021, SME value added is expected to rise 5.2% above its 2019 level and SME employment is expected to remain 1.4% below its 2019 level.

SMEs play a significant role in the Swedish 'non-financial business economy'. In 2020, they generated 51.4% of value added and 56.1% of employment, against the EU averages of 53.0% and 65.2%, respectively. Swedish SME productivity, defined as value added per person employed, was EUR 63 600, exceeding the EU average of EUR 40 000. Swedish SMEs employed an average of 2.9 people in 2020, slightly fewer than the EU average of 3.7.

Figure 1: Number of enterprises, persons employed and value added in 2020

	 Number of enterprises			 Number of persons employed			 Value added		
	Sweden		EU-28	Sweden		EU-28	Sweden		EU-28
	Number	Share	Share	Number	Share	Share	€ billion	Share	Share
Micro	601 590	93.9%	93.3%	667 545	19.9%	29.6%	37.7	16.2%	18.7%
Small	32 056	5 %	5.7%	623 262	18.6%	19.7%	37.6	16.2%	17%
Medium-sized	5 895	0.9%	0.9%	588 108	17.6%	15.8%	44.1	19.0%	17.3%
SMEs	639 541	99.8%	99.8%	1 878 915	56.1%	65.2%	119.4	51.4%	53%
Large	1 383	0.2%	0.2%	1 471 482	43.9%	34.8%	113.1	48.6%	47%
Total	640 924	100%	100%	3 350 397	100%	100%	232.5	100%	100%

Source: These are estimates for 2020 produced by DIW Econ, based on 2008-2018 figures from the Structural Business Statistics Database as well as provisional data for 2019-2020 from the National Accounts Database and the Short-Term Business Statistics Database (Eurostat). The data cover the 'non-financial business economy', which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The following size-class definitions are applied: micro firms (0-9 persons employed), small firms (10-49 persons employed), medium-sized firms (50-249 persons employed), and large firms (250+ persons employed).

2. Key strengths

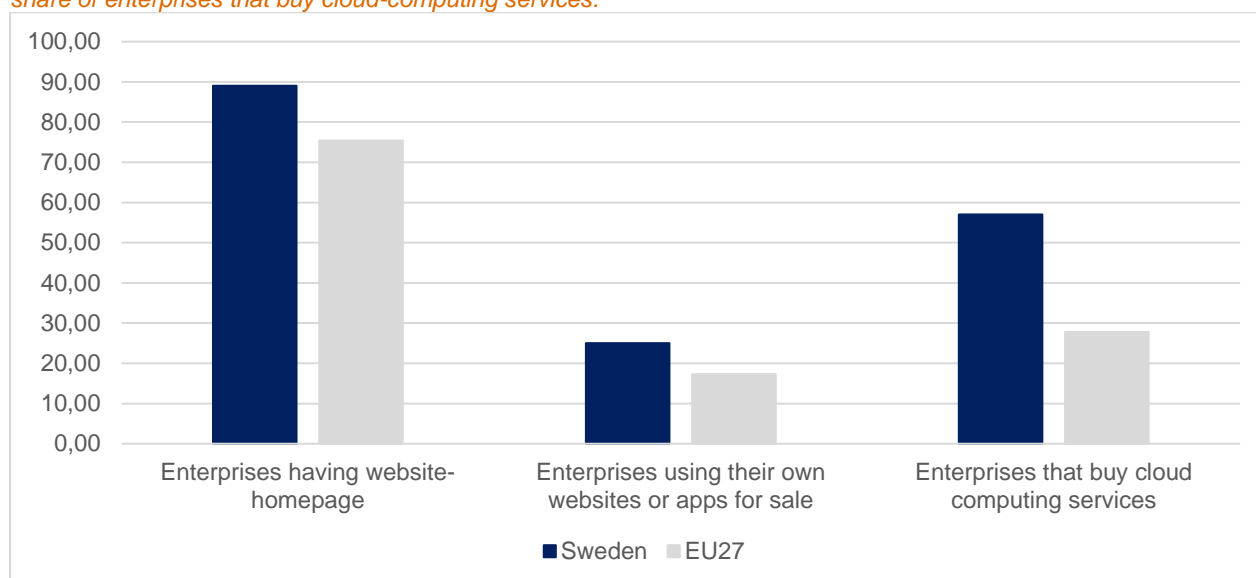
Continuous investments to step up digitalisation of the economy

The country has continued to support the digitalisation of SMEs by setting up new initiatives and providing further investment in broadband. With a score of 69.7 in the Digital Economy and Society Index, Sweden is the second-best EU Member State in digital competitiveness².

In line with previous efforts to make it simpler for companies to find digital solutions and applications, the portal '*verksam.se*' is continuously being developed to provide more information and services. It centralises up-to-date information for entrepreneurs on digital solutions and applications. From 2018 to 2021, the Swedish Government provided the Agency for Economic and Regional Growth with EUR 500 000 (SEK 5 million) per year to help SMEs increase their knowledge on how to strengthen their competitiveness through digitalisation³. With this capital, the agency is able to support organisations which promote business, who in turn help SMEs develop their working methods and analysis tools via digital solutions⁴, including by promoting the use of strategic data. There are special measures targeting SMEs in rural areas and there are regional digitalisation coordinators in place.

The COVID-19 pandemic has highlighted the importance of digital solutions for companies. In 2020, the Swedish Government provided EUR 20 million (SEK 200 million) to continue broadband expansion in rural areas and small communities, where the largest expansion still needs to be completed⁵. It has also set objectives for broadband expansion for 2023 and 2025.

Figure 2: Share of enterprises with a website; share of enterprises using their website or their application for sales; and share of enterprises that buy cloud-computing services.



Source: Eurostat, 2019^{6,7,8}

Major initiatives by SMEs to address environmental issues

In 2019, Sweden launched a new trade and investment strategy, which strongly focuses on sustainability and regional growth. This was followed by extensive green investments and extra resources for welfare, as well as tax cuts as regards workers and businesses. Among others, the national Almi Invest GreenTech fund of EUR 65 million (SEK 650 million) invests in innovative SMEs that focus on products and services which result in CO₂ reduction. The fund supports companies in several sectors. This focus on using green industry to restart the economy is also reflected in the budget for 2021.

In addition to several public actions and pieces of legislation being implemented to protect the environment, SMEs are also taking action, with 38% of them actively seeking to address environmental issues and 92% having taken resource-efficiency measures⁹. In 2020, around 25% of companies set environmental goals for their own operations. Nearly as many SMEs have an environmental policy, and sell and provide environmentally friendly goods and services (24%)¹⁰.

Increasing the number of innovative SMEs

The proportion of innovative companies increased between 2017 (44.1%) and 2020 (47.9%) based on the survey conducted by the Swedish Agency for Economic and Regional Growth¹¹. The service sector appeared to be more innovative than the *industrial* sector, while the *information and communication* sector was the most innovative overall.

In the current context, high-tech SMEs are building innovative solutions to address the digital needs arising from the COVID-19 pandemic. These developments are supported by matching funding and investment measures. For example, Sweden has set aside an additional EUR 40 million (SEK 400 million) for Almi Invest, part-owner of approximately 350 growth companies throughout the country, in order to help address the challenges small innovative businesses face and prevent the loss of structural capital and intangible assets in the *life-science* sector and others¹².

3. Key challenges

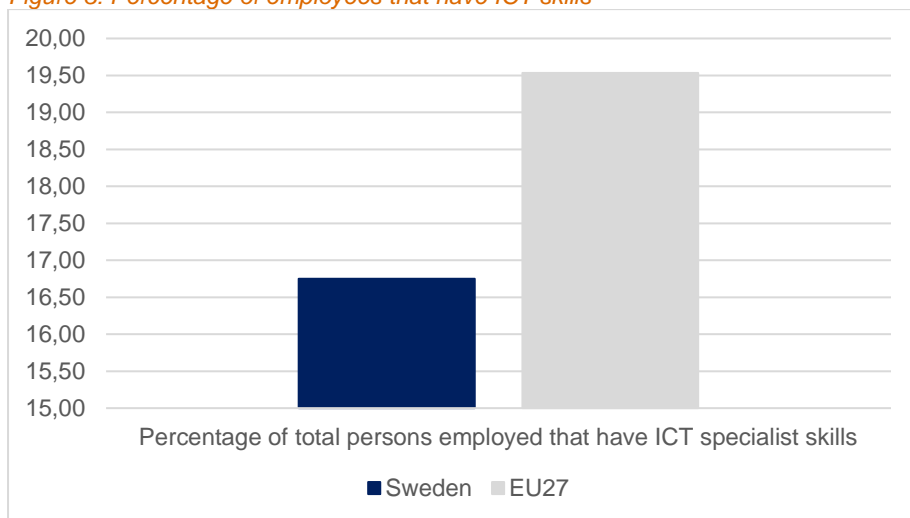
Decrease in SMEs' willingness to expand

While growth in SMEs has remained stable since 2017, there has been a decrease from 76% in 2008 to 69% in 2020 in the number of SMEs who wish to expand¹³. The SMEs expressing willingness to expand mostly wish to grow in terms of sales rather than their number of employees. The uncertainty in the business outlook caused by the pandemic poses an obstacle to SME growth and decreases companies' employment ambitions. Regulatory burden has also been pointed out as an impediment to growth¹⁴.

Shortfall of skilled labour

While SMEs are adopting digital solutions to simplify their processes, they continue to face challenges in finding workers with digital skills. In 2019, several measures were adopted to address this challenge such as increasing available places at universities, training centres and on various programmes¹⁵.

Figure 3: Percentage of employees that have ICT skills



Source: Eurostat, 2019¹⁶

4. Other key SME-related brief insights



IMPACT OF
COVID-19 CRISIS
ON SMES

The government provided 'reorientation support' ('omställningsstöd') for March-April 2021, designed to help businesses with reduced turnover due to the COVID-19 pandemic. The granted subsidy amount of up to EUR 15 million (SEK 150 million) depended on the extent to which the company's net turnover had been reduced¹⁷.

Sole traders who had suffered a downturn in trade due to the pandemic were able to apply for turnover support that was available from March 2020 to April 2021. This included sales support for partnerships with at least one physical partner.

To help those businesses affected by the pandemic to manage their workforce, the government has made financial support available to employers who prefer to reduce their employees' working hours and wages rather than lay them off¹⁸.

The Central Government Business Emergency Package included a credit guarantee programme aimed at supporting SMEs that have experienced financial difficulties due to the pandemic. The programme enables a temporary extension of loan provision to businesses in order to support their liquidity¹⁹.



START-UP ENVIRONMENT

Since January 2020, it has become easier to start a new private limited company after the capital requirement was lowered from EUR 5 000 (SEK 50 000) to EUR 2 500 (SEK 25 000)²⁰. This especially benefits companies in the *services* sector, which require less capital than those in other sectors.

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- ¹ The data for 2020 are estimates produced by DIW Econ, based on 2008-2018 figures from the Structural Business Statistics Database as well as provisional data for 2019-2020 from the National Accounts database and the Short-Term Business Statistics Database (Eurostat).
- ² European Commission (2020), *The Digital Economy and Society Index (DESI)*, available at: <https://ec.europa.eu/digital-single-market/en/scoreboard/sweden>
- ³ Näringsdepartementet (Ministry of Trade and Industry) (2018), *Regeringen satsar på ökad digital kompetens i småföretags ledningar och styrelser*, available at: <https://www.regeringen.se/pressmeddelanden/2018/07/regeringen-satsar-pa-okad-digital-kompetens-i-sma-foretags-ledningar-och-styrelser/>
- ⁴ Tillväxtverket (Swedish Agency for Economic and Regional Growth) (2020), *Digital kompetens för affärsutveckling*, available at: <https://tillvaxtverket.se/amnesomraden/digitalisering/digital-kompetens-for-affarsutveckling.html>
- ⁵ Ministry of Enterprise and Innovation (2020), *Government decides on SEK 200 million for continued broadband expansion in rural areas*, available at: <https://www.government.se/press-releases/2020/05/government-decides-on-sek-200-million-for-continued-broadband-expansion-in-rural-areas/>
- ⁶ Eurostat (2019), Eurostat, *Websites and functionalities*. Available at: https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=isoc_ciweb&lang=en
- ⁷ Eurostat (2019), Eurostat, *E-commerce sales*. Available at: https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=isoc_ec_eseln2&lang=en
- ⁸ Eurostat (2018), Eurostat, *Cloud computing services*. Available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=isoc_cicce_use
- ⁹ European Commission (2017), *Eurobarometer survey of SMEs and the environment*. Available at: http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/index_en.htm
- ¹⁰ Tillväxtverket (2020), *Nästan fyra av tio företag har ett aktivt miljöarbete*, available at: <https://tillvaxtverket.se/statistik/foretagande/miljoarbete.html>
- ¹¹ Tillväxtverket (2020), *Företagens villkor och verklighet*, available at : <https://tillvaxtverket.se/statistik/vara-undersokningar/foretagens-villkor-och-verklighet.html>
- ¹² Ministry of Enterprise and Innovation (2020), *Government boosts Almi Invest's investment power to bridge crisis in small innovative businesses*, available at : <https://www.government.se/press-releases/2020/05/government-boosts-almi-invests-investment-power-to-bridge-crisis-in-small-innovative-businesses/>
- ¹³ Tillväxtverket (2020), *Tillväxtvilja - färre småföretag vill växa*, available at: <https://tillvaxtverket.se/statistik/foretagande/tillvaxtvilja.html>
- ¹⁴ Ekonomifakta (2020), *Anställningsplaner inom näringslivet*, available at: <https://www.ekonomifakta.se/Fakta/Arbetsmarknad/Sysselsattning/anstallningsplaner-inom-naringslivet/>
- ¹⁵ Tillväxtverket (2020), *Kompetensförsörjning i landsbygder*, available at: <https://tillvaxtverket.se/statistik/vara-undersokningar/kompetensforsorjning/2020-04-24-kompetensforsorjning-i-landsbygder.html>
- ¹⁶ Eurostat (2019), *Community survey on ICT usage and eCommerce in enterprises*. Available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=isoc_ske_ittn2&lang=en
- ¹⁷ Sveriges Riksdag (2020), *Additional amending budget: Yes to reorientation support for companies with reduced turnover*. Available at: <https://www.riksdagen.se/en/news/2020/jun/17/additional-amending-budget-yes-to-reorientation-support-for-companies-with-reduced-turnover/>
- ¹⁸ Swedish Agency for Economic and Regional Growth (2020), *Short-Time Work Allowance 2021*. Available at: <https://tillvaxtverket.se/english/short-time-work-allowance.html>
- ¹⁹ Government Offices of Sweden (2020), *Government extends business emergency package, Företagsakuten*. Available at: <https://www.government.se/press-releases/2020/10/government-extends-business-emergency-package-foretagsakuten/>
- ²⁰ Regeringen (2019), *Lägre kapitalkrav för privata aktiebolag*, available at: <https://www.regeringen.se/4ad5ce/contentassets/fe496f95782e4527b09125e5b8ac2d81/lagre-kapitalkrav-for-privata-aktiebolag-prop.-20192021>