INVEST SWEDEN

Investment review 2010

Investment in the global economy and Sweden

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Overview of international investment trends

- International investment stagnated in 2010
- Sharp decline in Europe and Sweden
- Recovery expected in 2011

Global

International investment* fell by 16 percent in 2008 and a further 37 percent in 2009 in the wake of the financial crisis and the ensuing worldwide recession. Businesses postponed expansion plans and investment in new capacity in response to shrinking markets and economic uncertainty. Mergers and acquisition (M&A) activity stagnated in both the industrial and private equity markets due to weak supply of capital. The decline in investment activity was worldwide, with only a few countries reporting increased investment flows during the period.

A global recovery in 2010 saw overall GDP growth reach 5.0 percent. However, the upswing was patchy, with OECD economies remaining weak while Asian and Latin American markets performed strongly. Rising public debt in various European countries forced the European Union to step in and take emergency action. Over the longer term there is concern over the extent to which the high levels of public debt in eurozone countries will impact the single currency. Public debt is also in the spotlight in the United States, where the economy rebounded in 2010. Economic conditions in Japan were the most promising for many years, but the tsunami and nuclear disaster in March 2011 has made the outlook uncertain. The BRIC countries, especially China, and other emerging markets provided the main impetus for world economic growth in 2010.

Though overall economic performance was favorable during the year, preliminary data indicate that total global investment remained at the same level as 2009, totaling US$1,122 billion. Thus, global investment (measured as average growth in 2005-2007) is 25 percent lower than before the crisis and around 40 percent below the record peak seen in 2007.

*) Investment here relates exclusively to direct investment and is defined as investment in which the investor, generally speaking an enterprise, directly or indirectly acquires a share of the equity or voting rights of 10 percent or more in a business located in another country. To qualify, investments must be long-term in nature and contain a lasting ownership interest. Direct investment has three main sources: M&A, establishment of new businesses, and expansion of existing businesses. However, the official figures also include capital flows from internal corporate restructuring, intra-group lending and certain other sources. It is thus important to treat the official figures with care and to use them as one of multiple indicators when analyzing global investment.

International investment

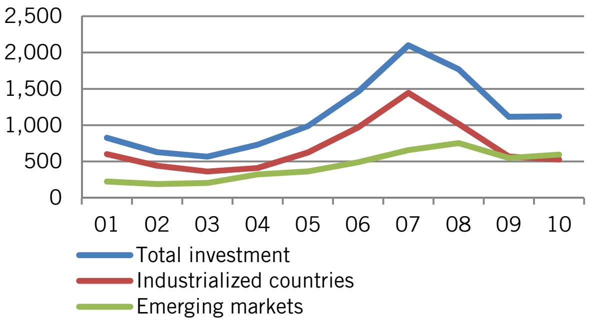
2010, foreign investment at national and regional level

	US$ billion	Percent
World	**1,122.0**	**+1%**
Industrialized countries	**526.6**	**-7%**
US	186.1	+43%
Japan	2.0	-83%
EU	289.8	-20%
Denmark	6.3	-19%
Finland	2.6	+3%
France	57.4	-4%
Ireland	8.4	-66%
Italy	19.7	-36%
Netherlands	-24.7	-192%
Poland	10.4	-9%
Spain	15.7	+4%
UK	46.2	+1%
Sweden	**5.3**	**-52%**
Germany	34.4	-4%
Emerging markets	**595.4**	**+9%**
Russia	39.7	+2%
Asia	333.6	+10%
China	101.0	+6%
Hong Kong	62.6	+29%
India	23.7	-32%
Singapore	37.4	+123%
Latin America	141.1	+21%
Brazil	30.2	+16%
Mexico	19.1	+53%
Africa	50.1	-14%

The figures above are from the UNCTAD January 2011 forecast and also incorporate reported full year data for Sweden from Statistics Sweden (March 2011). A decrease of more than 100 percent indicates that a net capital inflow has been replaced by a net outflow.
Sources: UNCTAD (2011), Statistics Sweden (2011)

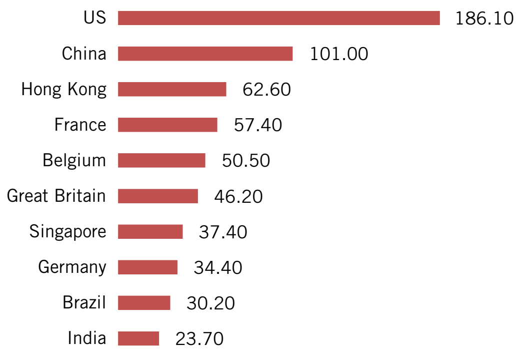
Mirroring world economic trends, global investment patterns were patchy in 2010. Flat or decreased foreign investment in many European countries contrasted with strong increases in investment flows in the US, Asia and Latin America. For the first time, emerging markets attracted more than half of the global investment cake.

International investment volume
2001-2010, foreign investment in US$ billion



Source: UNCTAD (2011)

Top recipients of foreign investment
2010,* US$ billion



* Preliminary figures (January 2011).
Source: UNCTAD (2011)

High corporate earnings in 2010 allowed many companies to strengthen their capital base in readiness for international M&A or new investments. All the indications are that global M&A increased significantly during the second half of 2010.

Nevertheless, a number of obstacles stand in the way of increased international investment activity. Most governments are scaling back the bailouts and fiscal stimulus packages they introduced in the wake of the global crisis. Meanwhile, uncertainty exists over economic trends and the trajectory of the European and US markets, and credit availability has been tightened in the aftermath of the financial crisis. The devastation in Japan and unrest in North Africa and the Middle East will also influence the economic outlook, in the short term at least. In addition, a range of diffuse yet perceived risks also exist in respect of currency wars and protectionism. Many European countries are facing tax increases, lower public consumption and cutbacks in government spending on education, R&D and infrastructure. The general economic climate has once again emerged as a prime consideration for companies when choosing where to localize their business investment in Europe.

The World Investment Prospects Survey 2010-2012 by United Nations agency UNCTAD indicates pessimism among international investors over short term trends but greater confidence about medium term prospects. A sustainable, global investment upswing depends on demonstrable stability in the financial system and a favorable economic outlook.

Sweden

Exceptionally high GDP growth of 5.5 percent in 2010 distinguished Sweden from other countries in the region and highlighted it as one of the strongest economies in Europe. Sweden's attractiveness for foreign investment will increase further in the next few years thanks to economic progress and a supportive business climate.

With foreign investment assets accounting for 75 percent of GDP, Sweden is already today one of the world's most internationalized economies. Foreign investment activity has mirrored the financial crisis and global economic downturn in recent years, with a strong 2008 being followed by a decline in activity towards the end of that year and a 70 percent drop in investment to SEK 71 billion in 2009.

According to recent data from Statistics Sweden (March 2011), foreign investment in Sweden totaled SEK 38 billion in 2010, representing a fall of 50 percent from the previous year and just 16 percent of the SEK 242 billion peak recorded in 2008.

The statistics for Sweden are not easy to analyze because the full year figure was reduced by loan transfers. In absolute terms, 2010 saw a decrease in the number of new establishments by foreign investors but a small increase in the number of foreign acquisitions in Sweden. No major M&A transaction was realized during the year. At the same time, existing foreign-owned operations in Sweden are showing excellent performance across the board, as reflected in Statistics Sweden's forecast of reinvestment totaling SEK 84 billion in 2010. A further indication of the strength of

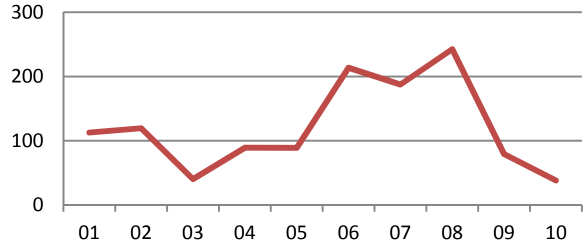
Swedish industry is the SEK 216 billion invested by Swedish firms internationally in 2010. This is a high figure – the highest since 2007 – and represents an increase of 10 percent from the previous year.

The weak full year figure for 2010 might thus partly the fact that Swedish corporations were out of step with their European and North American counterparts in terms of pursuing expansion in a generally weak economic climate.

Foreign investment in Sweden is expected to improve gradually in 2011, with major reinvestment in Swedish operations and increased interest in M&A activity anticipated during the year, despite a stronger Swedish currency.

Foreign investment in Sweden

2001-2010, SEK billion



Source: Statistics Sweden (2011)

Foreign ownership (selected countries)

2009, 2000 and 1990, foreign investment assets as percentage of GDP

	2009	2000	1990
Singapore	194.0	119.3	82.6
Switzerland	94.2	34.7	14.4
Ireland	85.1	131.9	79.4
Netherlands	75.3	63.3	23.1
Sweden	**75.0**	**38.0**	**5.2**
UK	51.7	30.4	20.6
Denmark	50.9	46.0	6.8
EU average	45.5	27.5	10.6
France	42.8	29.4	7.9
Poland	42.5	20.0	0.2
Canada	39.3	29.3	19.4
Finland	37.2	19.9	3.7
Norway	30.4	18.1	10.7
Brazil	25.5	19.0	8.5
US	21.9	28.5	9.3
Germany	21.0	14.3	6.5
Russia	20.3	12.4	N/A*
India	12.9	3.5	0.5
China	10.1	16.2	5.1
Japan	3.9	1.1	0.3

* No available data.
Source: UNCTAD (2011)

Business internationalization (selected countries)

2009, 2000 and 1990, investment assets abroad as percentage of GDP

	2009	2000	1990
Switzerland	163.5	92.9	27.7
Singapore	120.3	61.2	21.2
Netherlands	107.4	79.3	35.9
Sweden	**90.5**	**49.8**	**20.9**
Ireland	84.7	29.0	31.2
UK	76.0	62.3	23.1
Denmark	69.8	45.7	5.4
France	64.9	69.7	9.0
EU average	55.0	41.4	11.3
Finland	53.0	42.8	8.0
Norway	43.1	20.4	9.4
Canada	42.4	32.8	14.6
Germany	41.2	28.5	8.8
US	30.2	27.6	12.6
Russia	20.1	7.8	N/A*
Japan	14.6	6.0	6.7
Brazil	10.0	8.1	9.4
Poland	6.1	0.6	0.1
India	6.1	0.4	0.0
China	4.9	2.3	1.1

* No available data.
Source: UNCTAD (2011)

Top recipients of foreign investment
2007-2009

		US$ billion	Percent
1	US	720	14.5
2	UK	324	6.5
3	China	287	5.8
4	Belgium	262	5.3
5	France	218	4.4
6	Canada	182	3.7
7	Russia	169	3.4
8	Hong Kong	162	3.3
9	Spain	153	3.1
10	Germany	137	2.7
11	Netherlands	135	2.7
12	Hungary	128	2.6
13	Australia	115	2.3
14	Brazil	106	2.1
15	India	100	2.0
16	Virgin Islands	98	2.0
17	Saudi Arabia	96	1.9
18	Italy	88	1.8
19	**Sweden**	**72**	**1.4**
20	Switzerland	66	1.3
	Total top 20	3,618	72.6
	Other countries	1,367	27.4
	World	**4,985**	**100.0**

Source: UNCTAD (2011)

Top sources of foreign investment
2007-2009

		US$ billion	Percent
1	US	972	18.4
2	UK	498	9.4
3	France	473	8.9
4	Germany	360	6.8
5	Japan	276	5.2
6	Spain	228	4.3
7	Belgium	221	4.2
8	Canada	179	3.4
9	Italy	179	3.4
10	Hong Kong	164	3.1
11	Russia	148	2.8
12	Switzerland	123	2.3
13	China	123	2.3
14	Hungary	120	2.3
15	**Sweden**	**96**	**1.8**
16	Luxembourg	94	1.8
17	Virgin Islands	91	1.7
18	Norway	77	1.5
19	Austria	72	1.4
20	Australia	68	1.3
	Total top 20	4,562	86.1
	Other countries	735	13.9
	Total outgoing investment	5,297	100.0
	Adjustment*	-312	
	World	**4,985**	

* Unexplained difference in data between incoming and outgoing investment.
Source: UNCTAD (2011)

New investment in Northern Europe
2010, new business establishments and expansion by foreign firms

	Number of investments	Percent
Poland	308	41
Germany	114	15
Russia	72	10
Sweden	67	9
Lithuania	42	6
Finland	33	4
Denmark	31	4
Norway	29	4
Estonia	27	4
Latvia	23	3
Total	**746**	**100**

Figures shown are for Sweden, Norway, Denmark, Finland, Estonia, Latvia, Lithuania, Poland, northern Germany and north-west Russia.
Source: fDi Markets (2011)

Regional pattern of foreign investment
2007-2009, foreign investment per region

	US$ billion	Percent
Europe	1,951	39
North America	903	18
Asia	1,474	30
Latin America	463	9
Africa	194	4
World	**4,985**	**100**

Source: UNCTAD (2011)

Breakdown of foreign companies in Sweden
2009, by country of domicile

	Number of employees	Assets SEK billion
US	99,074	164
UK	78,693	315
Finland	62,487	226
Denmark	58,090	182
Norway	56,049	151
Germany	55,195	131
Netherlands	42,651	358
Luxembourg	42,115	341
France	42,039	71
Switzerland	24,362	66
Other countries	64,809	348
Total	**625,564**	**2,353**

Source: Growth Analysis (2010)

Sectoral breakdown of foreign assets in Sweden
2009

	Assets SEK billion	Percent
Chemicals and pharmaceuticals	446	19
Finance and insurance	236	10
Manufacturing	229	10
Energy and water utilities	210	9
Retail and wholesale	201	9
Food processing	192	8
Construction and real estate	134	6
Wood and paper	115	5
Transport and communications	104	4
Other sectors	486	21
Total	**2,353**	**100**

Source: Statistics Sweden (2010)

Foreign companies and employees by type of investment
2009

Type of investment	Number of companies	Percentage of companies	Number of employees
Acquisition	3,119	38	134,117
Merger	122	2	19,942
Establishment of new business	3,182	40	49,855
Other	708	9	19,680
No data available	932	11	4,513
Total	**8,063**	**100**	**228,107**

The figures relate solely to parent companies and affiliates. In 2009, Sweden had 13,636 foreign companies with 625,564 employees.
Source: Growth Analysis (2010)

Invest Sweden is a government agency that actively promotes different forms of investment by foreign companies in Sweden by providing information and facilitating contacts. Examples of investments include new businesses, expansion, cooperation agreements, strategic alliances, and mergers and acquisitions.

Headquartered in Stockholm, Invest Sweden has offices in Brazil, China, India, Japan, and the United States. The agency works closely with a diverse range of public and private actors in Sweden and abroad.

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