RETAIL MARKET IN SWEDEN

SECTOR OVERVIEW

Opportunities in a retail growth market
Sweden’s appeal for retail investment is reinforced when looking at Sweden’s dominance in the Scandinavian market-place of 26 million people. Sweden has the largest population and the largest retail market, and receives as much foreign direct investment as Denmark, Finland, Norway, Estonia, Latvia and Lithuania together. The Swedish retail market has enjoyed positive annual growth for more than a decade, fuelled by steady population growth and rising disposable incomes. Private consumption has risen faster in Sweden than in most other European countries and the consumers have high spending power. Sweden has not been that affected of the financial crisis as rest of Europe. With lowered interest rates and rising disposable incomes the outlook is positive. The developments reflect good consumer confidence and a strong Swedish economy, with solid GDP growth and stable public finances.

Sweden is a country well suited to new retail concepts and there are opportunities in most market segments. There is also a good supply of retail space, due to major on-going and planned expansion of shopping centers and retail parks throughout the country as well as a number of city center renewal projects. Property owners and developers welcome international concepts, as it serves to differentiate their retail offering.

Swedish consumers are demanding buyers, they value function and quality as much as design and branding in their buying decisions. As a result, Sweden is often used as a test market for global brands.

**WHY SWEDEN?**
- Top-performing and growing economy
- Steady population growth and wealthy inhabitants
- Sophisticated consumers with high purchasing power
- Strong retail sales growth for 15 consecutive years
- Appetite and demand for new retail concepts
- Early adopters and well established test market
- Recognized as a trend-setting country
- Largely unregulated market open to international competition
- Availability of attractive retail space
- Transparent market, easy to do business
- Advanced IT nation with top internet penetration

**LARGEST MARKET AND TOP-PERFORMING ECONOMY**

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**STRONG RETAIL SALES GROWTH**

The Swedish retail market has been growing for 15 consecutive years. The retail sales increased by 2 percent in 2012 to €73 billion. Overall, retail sales shows an increase of 51 percent since 2000. Until 2020 the retail sales is expected to grow by 30 percent according to the Swedish Trade Federation.

**Key facts 2012**

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population, million</td>
<td>9.5</td>
</tr>
<tr>
<td>GDP growth, %</td>
<td>0.8</td>
</tr>
<tr>
<td>GDP growth (f)2013, %</td>
<td>1.2</td>
</tr>
<tr>
<td>GDP per capita, Euro</td>
<td>42,780</td>
</tr>
<tr>
<td>Disposable income, per capita,Euro</td>
<td>21,678</td>
</tr>
<tr>
<td>Retail sales, Euro billion</td>
<td>71</td>
</tr>
<tr>
<td>Retail sales growth (f)2013, %</td>
<td>2.0</td>
</tr>
<tr>
<td>Retail annual sales growth 2005-2012,%</td>
<td>2.9</td>
</tr>
<tr>
<td>Inflation, annual change %</td>
<td>0.9</td>
</tr>
<tr>
<td>Currency: 1 Swedish krona (SEK)</td>
<td>≈100 øre</td>
</tr>
<tr>
<td>Exchange rates (SEK per Euro)</td>
<td>8.70</td>
</tr>
</tbody>
</table>
CONSUMPTION AND DISPOSABLE INCOME IS GROWING
The increasing demand on the retail market is driven by a strong economy, steady population growth and rising disposable incomes. Over the past decade disposable household income has increased with 39 percent, and out of all household expenditures, almost 40 percent was spent on retail. In 2012 private consumption grew by almost 1 percent compared to same period 2011 and the outlook for consumption growth is good.

The consumption has risen faster in Sweden than most other European countries. Most inhabitants live in the southern part of Sweden which is the most urbanized area with the capital Stockholm, Gothenburg and Malmö being the largest cities. The population is expected to grow to 10 million people in 2020.

FLORISHING SHOPPING TOURISM
Another driver of retail sales growth is shopping tourism. 2012 were another record year for tourism in Sweden. Almost 30 percent of the total spending from visitors was on retail and amounted to €8.9 billion.

Cross-border shopping by neighboring countries Norway, Denmark and Finland represented 5 percent of the total Swedish retail sales.

OPPORTUNITY FOR NEW INTERNATIONAL RETAIL CONCEPTS
Among both consumers and property owners there is a welcoming attitude to new international concepts that add diversity to the retail market structure. The Swedish well-travelled and trend-sensitive consumers embrace new international brands and shopping experiences. There is today some 130 international retail chains present Sweden, majority originating from Scandinavia, Germany, UK and US. More than 30 percent of the foreign retailers have at least 20 outlets in Sweden.

AN IDEAL TEST MARKET
Sweden is recognized both for setting new trends and rapidly adopting them from abroad. Attractions include demanding, widely traveled and technologically advanced consumers eager to explore and find use for new products and technology. The consumers are considered demanding buyers that value new technology, function and quality as much as design - that makes it interesting for testing new products. This goes for fashion as well as technology products – Diesel, Levis, Microsoft and Ericsson test their new products. Calvin Klein, Coca-Cola, Samsung and McDonalds have all used Sweden for early commercialization.

SWEDES LIKE TO SHOP ONLINE
The strong growth of e-commerce of goods continues with a total sales of €3.6 billion in 2012, an increase of 14 percent. Seven of ten consumers did shop online during 2012. Consumer electronics, clothes and books top the list. Increasingly, traditional store retailers complement store sales with online sales.

THE WORLD’S MOST ADVANCED INTERNET USERS
High levels of advanced internet usage not only means consumers are well-informed but also that they embrace shopping over internet. 95 percent of Swedes have access to internet at home, and buying decisions are increasingly formed online. Swedish consumers have used internet as a shopping guide for a long time – the international price comparison website Pricerunner was founded in Sweden in 1999, for instance. Sweden and its Scandinavian neighbors are ranked in top of having the best IT infrastructure and the highest e-readiness in the world.

GOOD SUPPLY OF RETAIL SPACE
Extensive construction in the retail sector is underway, comprising of new and extended shopping centers, retail parks and city center renewal projects. Sweden has a well-developed external trade and is one of the pioneering countries for shopping centers in Europe with the first ones in early 1950’s. Shopping center retail sales account for more than 33 percent of total retail sales in the country. When it comes to number of shopping centers per capita, Sweden lies far above the European average. There are today some 350 shopping centers and retail parks, an increase of over 100 in ten years.

### GDP growth in selected countries
**1998-2012, average annual change, percent**

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP Growth 1998-2012, Average Annual Change, Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>2.8</td>
</tr>
<tr>
<td>Finland</td>
<td>2.5</td>
</tr>
<tr>
<td>USA</td>
<td>2.2</td>
</tr>
<tr>
<td>UK</td>
<td>2.1</td>
</tr>
<tr>
<td>Netherlands</td>
<td>2.0</td>
</tr>
<tr>
<td>Norway</td>
<td>1.8</td>
</tr>
<tr>
<td>Euro area</td>
<td>1.7</td>
</tr>
<tr>
<td>France</td>
<td>1.7</td>
</tr>
<tr>
<td>Germany</td>
<td>1.4</td>
</tr>
<tr>
<td>Denmark</td>
<td>1.1</td>
</tr>
</tbody>
</table>

Source: Eurostat 2013

### Retail sale per segment
**2012, percent**

- Fast moving consumer goods: 25.7%
- Building materials: 3.5%
- Electronics: 42%
- Apparel: 6.8%
- Furniture: 8.2%
- Leisure goods: 6.3%
- Others: 8.2%

Source: HUI Research, 2013
The strong private consumption and growth in retail sales has quickened the pace of renovation and new constructions. Up until 2014, ten new shopping centers are in the building pipeline. Much of Sweden’s retail space is under institutional ownership and many owners specialize solely on retail property.

FAVORABLE RENTAL CONDITIONS
Standard lease terms are 3-5 years for shopping centers and high street units. Longer terms, usually 7-10 years, apply for retail parks and anchor tenants. Rents are normally constructed as a minimum base rent with a turnover element if sales exceed the base rent. Rents are annually indexed to the development of consumer prices, and the tenant has the right to renew the contract for three years.

COMMERCIAL LEASES AND RENTS
Compared to other countries, tenants have a strong legal position and right to the rented premises. Generally, landlords bear a higher proportion of operating costs than in other countries.

Rent usually includes heating and water but not electricity or telecommunications. Rent also often includes cleaning of common areas and snow removal. Property tax is usually payable on top of the rent and is generally charged in proportion to the leased area. The property tax rate is 1 percent for commercial office space and 0.5 percent for industrial premises. Tax amounts are calculated using an assessment value set by the Swedish Tax Agency that is supposed to correspond to 75 percent of the estimated market value of the property. Should VAT be payable, contracts generally contain a provision under which the tenant commits to pay VAT on top of the rent. Rental costs for a fashion store typically amount to 7-9 percent of sales.

Key money is common in the retail segment. A security deposit or bank guarantee equivalent to between three and six months’ rent is common. For high street retail and attractive shopping centers the rental levels are expected to remain stable. The outlook for new developments and retail parks is most likely slightly lower rents.

OPENING HOURS
Companies are free to set their own opening hours, as long as this is not in conflict with the rental contract. It is common for the retail trade in a specific city to coordinate opening hours.

GOOD SUPPLY OF STAFF
Vocational training for the retail sector is available on all educational levels. Post-high school training covers subjects like business development, international store management, sales and logistics. Swedes also possess excellent language skills, 85 percent of the population speaks English.

SALARY COSTS
The average monthly salary for a full-time sales clerk in retail is SEK 20,500 (€2,300), excluding social charges. Typically, salary costs for a fashion store amount to 17-19 percent of sales. There is no statutory minimum wage in Sweden; wage issues are instead left to employers and employees and their representatives. In the retail sector the trade union stipulates in the collective agreement a minimum monthly and hourly wage depending on age and experience.
SOCIAL SECURITY AND PENSIONS
Welfare provision in Sweden, covering areas like pensions, healthcare and unemployment insurance, is funded by a statutory national basic pension and insurance system supplemented by occupational-based agreements. The individual employee can also choose to top this up with private insurance.

STATUTORY EMPLOYER CONTRIBUTION - ALL INCLUDED
Employers pay statutory employer contributions on their employees’ behalf, consisting of all costs for pensions, health insurance and other social benefits. Employer contributions amount to 31.42 percent of gross salary. For employees under 26 years of age, employers pay a reduced social security contribution rate of 15.49 percent (2013).

GOOD LABOR RELATIONS
Sweden has a tradition of mutual respect and cooperation between companies and their employees. Labor relations between employers and trade unions are cordial and constructive. Industrial disputes and conflicts are rare. Employers hold discussions with the unions to agree collective agreements for employees. These regulate pay, training and other workplace issues, run normally for 1-3 years and operate under a two-tier system.

ACCEPTANCE ACROSS MARKET SEGMENTS
To date, most of the international retail establishments have been made in the fashion, sports and leisure, daily goods, home improvement and home electronics segments. The foreign presence is in different formats like large multistore concepts (Decathlon, Bauhaus, Hornbach, Lidl, Media Markt) middle segment chains (Zara, Hollister, Desigual), niche or luxury players with up to three stores. Many international fashion brands are found in the latter category (Gucci, Louis Vuitton, Ralph Lauren, Marc Jacobs, Prada).

EXCELLENT BASE FOR NORTHERN EUROPE
Sweden ranks in top as the most trade-friendly and logistics efficient nation in the world, moving goods and connecting manufacturers and consumers with intentional markets. Sweden is the preferred choice when companies consolidate distribution and warehousing activities in Northern Europe to one central location. From Sweden, all major cities in Sweden, Denmark and Norway are accessible by road transport in less than 12 hours, while Estonia, Finland, Latvia, Lithuania and western Russia are accessible within 24 hours. Some ten Swedish locations are used by foreign companies for centralized distribution in Northern Europe.

STARTING A BUSINESS IN SWEDEN - FAST AND EASY
Setting up a business in Sweden is a straightforward process. Procedures are simple and efficient, based on a transparent system that seeks to facilitate establishment of new enterprises without bureaucracy.

Limited liability company or branch
Most foreign companies who set up a business in Sweden opt for a limited liability company. Swedish legislation has long accepted limited liability companies with a sole owner (wholly owned subsidiaries), enabling not only large corporations but also small businesses to utilize this format. A limited liability company is a legal entity incorporated in Sweden. The minimum share capital is SEK 50,000 (€5,750). A branch is not incorporated in Sweden but is a divisional office – part of a foreign limited company – organized to conduct business in Sweden. Both must be registered at the Swedish Companies Registration Office (Bolagsverket) and the Swedish Tax Agency (Skatteverket).

Company registration fee
The easiest and most common way to set up a private limited liability company in Sweden is to use an “off-the-shelf” solution provided by a company agent or law firm. Many business services firms have this readily available, enabling a fast startup process. The cost associated with purchasing a preregistered limited liability company off-the-shelf is generally SEK 10,000-25,000 (€1,100-2,900), depending on the services provided, excluding the mandatory minimum share capital.

Competitive corporate tax
Sweden’s tax structure is transparent and efficient. Corporate income tax in Sweden is low by international standards, and effective rates can be even lower as companies have the option of making deductible annual appropriations to a tax allocation reserve of up to 25 percent of their profit. The corporate tax rate is 22 percent.

Sweden’s largest city region

<table>
<thead>
<tr>
<th>City Region</th>
<th>Population 2012</th>
<th>Population growth 2006-2012%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stockholm (greater region)</td>
<td>2,127,006</td>
<td>10.9</td>
</tr>
<tr>
<td>Göteborg (greater region)</td>
<td>947,575</td>
<td>6.7</td>
</tr>
<tr>
<td>Malmö (greater region)</td>
<td>670,394</td>
<td>9.1</td>
</tr>
<tr>
<td>Uppsala</td>
<td>202,625</td>
<td>9.4</td>
</tr>
<tr>
<td>Linköping</td>
<td>148,521</td>
<td>7.2</td>
</tr>
<tr>
<td>Västerås</td>
<td>140,499</td>
<td>5.7</td>
</tr>
<tr>
<td>Örebro</td>
<td>138,952</td>
<td>7.7</td>
</tr>
<tr>
<td>Norrköping</td>
<td>132,124</td>
<td>5.3</td>
</tr>
<tr>
<td>Helsingborg</td>
<td>132,011</td>
<td>7.0</td>
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<tr>
<td>Jönköping</td>
<td>129,478</td>
<td>6.0</td>
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<tr>
<td>Umeå</td>
<td>117,294</td>
<td>5.4</td>
</tr>
<tr>
<td>Lund</td>
<td>112,950</td>
<td>9.4</td>
</tr>
</tbody>
</table>

Source: Statistics Sweden, 2013
YOUR BUSINESS FACILITATOR
We support international companies to connect with business opportunities in Sweden – whether the interest is to gain access to the market or world class R&D and innovation clusters. Our experienced industry specialists facilitate for international companies in the process of establishing in Sweden and finding partners for collaboration or investment. We provide the information, guidance, solutions and network required to invest in Sweden. All our services are confidential and free of charge.

EXPERIENCED STAFF
Our strength lies in an experienced team of international trade and investment professionals in sectors where Sweden enjoys competitive advantages such as services, environmental technologies, ICT, life sciences, material technologies and transportation systems. A network of regional partners across Sweden ensures local support.

OUR SERVICES TO INTERNATIONAL COMPANIES
- **Strategic investment advice** throughout the process, from initial evaluation of the business opportunity to the establishment in Sweden.
- **Business information** about the Swedish market, business climate and conditions, strategic advantages, economy, business costs and location factors.
- **Investment opportunity search**, evaluation and advice on key industry sectors of interest, R&D and industry capabilities, competence clusters, location advice, etc.
- **Matchmaking support** to find Swedish companies and opportunities for strategic partnerships, investments, or other forms of cooperation.
- **Establishment information** on how to set up and run a business in Sweden including rules and regulations, legal entities, employment, taxes and more.
- **Network access** and introduction to all necessary public and private service providers, authorities and organisations, according to the needs of the company.

For more information, please contact:
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Phone: +46 8 588 668 39