Study on business co-operation potential and opportunities
in the sector of car components

SWEDEN

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1.- General information of the country and market information. Sweden

Geography
Area: 449,964 sq. km. (173,731 sq. mi.
Cities: Capital--Stockholm (city population: 743,000; metropolitan population 1.8 million). Other cities--Göteborg (city population: 467,000; metropolitan population: 766,000), Malmö (city population: 257,000; metropolitan population: 550,000).

People
Population (2004): 9 million.
Annual growth rate: 0.18% (2004).
Ethnic groups: Indigenous Swedes, ethnic Finns, ethnic Lapps.
immigrants: Finns, Bosnians, Iranians, Norwegians, Danes, Hungarians, Iraqis, and Turks.
Religions: Lutheran (87%), Catholic, Orthodox, Baptist, Jewish, Buddhist, Muslim.
Education: Years compulsory--9. Literacy: 100%.
Health (2003): Infant mortality rate--3.42/1,000. Life expectancy--men 78 years, women 82 years.
Work force (4.1 million, 2002): Services--74%; industry--24%; agriculture--2%. Unemployment (2004) 5.4%.

Government
Type: Constitutional monarchy.
Constitution: A new constitution was adopted in 1975, replacing the Acts of 1809, 1866, and 1949.
Branches: Executive--Cabinet, responsible to parliament. Legislative--unicameral Parliament (Riksdag). Judicial—Supreme Court (6 superior courts; 108 lower courts).
Subdivisions: 21 counties, 289 municipalities (townships)
Political parties represented in Parliament: Moderate, Liberal, Center, Christian Democratic, Social Democratic, Left, and Green.
Suffrage: Universal over 18. After 3 years of legal residence, immigrants may vote in county and municipal elections, (but not in national elections).

Economy
GDP (2003): $238.1 billion.
Annual growth rate (2003 expectation): 1.6%.
Per capita income (2003): $26,800.
Inflation rate (2003): 2.3%.
Natural resources: Forests, iron ore, and hydroelectric power. Arable land: 6 million acres.
Agriculture (2.0% of GDP): Products--dairy products, grains, sugarbeets, potatoes, wood.
Industry (29% of GDP): Types--machinery/metal products, motor vehicles, electrical equipment, aircraft, paper products.
Services (69.9% of GDP): Types--telecommunications, computer equipment, biotech.
Trade: Exports ($102.8 billion, 2003) machinery transport equipment, wood products, paper, pulp, chemicals, and manufactured goods. Imports (2003) --$83.27 billion. Major trading partners--U.S., EU, Norway and UK

Sweden is an industrial country. Agriculture, once accounting for nearly all of Sweden's economy, now employs less than 3% of the labour force. Extensive forests, rich iron ore deposits, and hydroelectric power are the natural resources which, through the application of technology and efficient organization, have enabled Sweden to become a leading producing and exporting nation.

The Swedish economic picture has brightened significantly since the severe recession in the early 1990s. Growth has been strong in recent years, and even though the economy slackened during the first half of 2001, the long-run prospects for growth remain favourable. The inflation rate is low and stable, with projections for continued low levels over the next 2-3 years. Since the mid-1990s the export sector has been booming, acting as the main engine for economic growth. Swedish exports also have proven to be surprisingly robust. A marked shift in the structure of the exports, where services, the IT industry, and telecommunications have taken over from traditional industries such as steel, paper, and pulp, has made the Swedish export sector less vulnerable to international fluctuations.

2.- Overview of the Scandinavian automotive industry

With a total production of **770 000 vehicles, whereof 334 000 produced in Sweden**, the automotive industry is one of the most important industry sectors for the Scandinavian countries. The Swedish vehicle industry, including the suppliers, represents 14% of commodities exports and employs 140 000 people. The share of exports varies between 85 and 90%. The vehicles are developed from concept to finished car.

Sweden, with a population of about 8.9 million, had 4 million cars in 2000. This corresponds to one car to every 2.2 people. The number of commercial vehicles was 389,000.

Half the fleet of cars in use today are more than 10 years old, which is a high proportion compared to many other European countries. **The average length of life of a car in Sweden is estimated at 17 years.**

In 2000, 291,000 new cars were registered. The industry expects 275,000 new registrations for 2001. These figures do not include private imports (63,000 in 2000).

The total import of automotive parts and accessories (HS 87.08) was worth dollars 2.6 billion in 2000. Major supplying countries were Germany(33%), UK(13%) and Belgium(8%).

There are four large-scale automotive manufacturers established in Sweden: **Volvo Car Corporation, Volvo Group, Saab Automobile and Scania.** These firms manufacture a large range of transportation equipment (cars, buses, trucks, engines, etc.) and have a strong position on the home market. Saab Automobile is owned by General Motors and Volvo Car Corporation by Ford.

The manufacturers have decided to reduce the number of component suppliers for their vehicles. This has resulted in a great deal of restructuring among the suppliers.

In the aftermarket sector, about 60-70% of the turnover is sold through authorized car dealers and garages. The remainder is divided up between independent wholesalers, chain stores and mail-order businesses.

In 2000, the 10 most sold car models were (in number):

Volvo, S/V/C70 29,859
Saab 9-5 16,142
Volvo S40/V40 14,740
Saab 900/9-3 10,961
VW Golf 10,898
VW Passat 10,430
Renault Megane 9,691

Ford Focus 8,372
Skoda Octavia 7,447
Volvo S80 7,332

3.- Overview of the car parts sector in Sweden

During the past four to five decades, the Swedish automotive supplier industry has grown in response to the increased demands of manufacturers like Volvo, Saab and Scania.
The domestic market has always been small in comparison with other European automotive markets but has included **two significant heavy truck manufacturers**. This has provided the supplier industry with a structure defined by **small and medium sized companies, flexible enough to produce components for both cars and heavy trucks.**

The Swedish vehicle manufacturers have also, in comparison with other European manufacturers, been very active in taking on suppliers from other European countries, with **the UK and Germany as the biggest supply markets.** The strategy behind this was initially to find new technology and to benefit from bigger volumes. However, it also meant that the **Swedish suppliers had to face a lot of foreign competition early on. As a result, some Swedish suppliers, like Autoliv, SKF, Trelleborg and Haldex, went international as well.**

Swedish OEMs, especially Volvo, introduced EDI and sequence supply at a very early stage, something that Swedish suppliers also have gained a lot from.

Over the past 10-15 years, the Swedish Automotive industry has gone through significant changes, including both the vehicle manufacturers and the suppliers. **Saab Automobile is today a GM subsidiary and Volvo Car Corporation belongs to Ford Motor Company. AB Volvo is currently the second largest producer in the world on the heavy truck market, with the recent acquisitions of Renault VI and Mack. Global suppliers, such as Lear Corporation, Valeo, Faurecia, Tenneco, Johnson Controls, Meritor, Benteler, Delphi and Saint-Gobain have all acquired Swedish entities or made green-field investments.**

Current structure
The 600 biggest companies and plants in Sweden employ just under 60 000 employees and have a turnover of approximately $13 billion. In addition, there are service providers, such as technical consultants, of significant size, which are not accounted for in the above figures. The turnover includes deliveries to the automotive industry as well as to related industries such as construction equipment, telecom and mechanical industry.

The cluster includes global players such as Lear, Autoliv, Visteon, Haldex, Trelleborg, SKF, Delphi, Valeo, Bosch, etc. as well as groups with headquarters in Sweden, for example Plastal, Finnveden and Nolato. Still, most of the 600 companies are lower tier suppliers, but with an important role in the supply chain.

Swedish based companies supply about 25-30% of the demand of the OEMs. The suppliers are located all over the country, but the west coast region with Volvo and Saab naturally has the strongest cluster of suppliers.

The 10 biggest suppliers producing components and systems in Sweden are Lear, Autoliv, Finnveden, Haldex, Meritor, Plastal, Faurecia, Sapa and Kongsberg. The list does not include important raw material suppliers or service providers.

4.- Business co-operation. Business opportunities.

Strong technical niches

Swedish suppliers have acquired and developed world-class knowledge in certain fields. Through organic growth, acquisitions and R&D, **Autoliv has grown to become one of the leading suppliers of safety. Many companies focus on environment friendly, lightweight materials and the expertise developed by some raw material suppliers, e.g. Sapa, Hydro Automotive Structures, Alteams Group and Ljunghälls, working with aluminium, as well as SSAB Hardtech, Finnveden, Accra and Outokumpu, working with high strength steel.**

Telematics and active safety are growing technologies, where new companies enter the automotive sector. Both areas **benefit from the strong Swedish telecom and IT industry.**

Northern Sweden hosts a significant number of vehicle manufacturers and suppliers in the winter test facilities.

Best sales prospects.

Generally, **Sweden offers a good market for high-quality and technically sophisticated automotive equipment.**

The best sales prospects exist for products **within the "safety" and "environment" sectors**. Swedes are very safety conscious and the automotive manufacturers are known to follow high safety standards. Both industrial users and manufacturers use the term "environmentally friendly" in marketing.
Manufacturers are marking parts with material codes and are using recyclable materials.

Of the 4 million fleet of cars about 2.7 million now have catalytic converters. Over the period 1980 - 1999 road traffic emissions of nitrogen oxides dropped by more than 60%.

In the aftermarket sector products that are related to the Swedish climate enjoy good prospects. Examples are engine heaters for the winter and roof boxes for skis. Steering wheels, rims, mirrors and decorations for the exterior of the car also sell well. Extra lights are also popular, especially as it is very dark for 6 months of the year in Sweden.