



Staff Memo

Large companies behind growing foreign trade in services

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Staff Memos

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Summary

Swedish exports and imports of services have steadily increased as a share of GDP in recent decades. Moreover, the growth rate has accelerated and risen sharply since 2019. This staff memo describes the development of Swedish foreign trade in services over the past 20 years. It also examines the factors that have fuelled the upturn. Its aim is to contribute to a better understanding of the content and analysis of statistics on international trade in services.

A small number of multinational enterprises are behind much of the development. They usually have high value-added functions and assets located in Sweden. These are head office, research and development and intangible assets, which give rise to trade in services, mostly with foreign companies within the same group. Some of these companies are also important players in the digital economy. Some sell their services to households around the world and others produce goods that also include services, such as software. For these goods producers, services account for an increasing share of their exports.

Finally, there are indications that the large multinationals will continue to drive the increase in foreign trade in services. Signs of continued growth in the global trade in services include the continued growth of the digital economy and the increasing availability of skilled labour from emerging economies. But the future is uncertain and risks such as geopolitical tensions and potential trade barriers could instead slow the growth of trade in services. Swedish foreign trade in services is largely dependent on the activities and corporate structure of a few companies. How well they perform and where they choose to invest intangible assets will therefore continue to play a crucial role in Swedish foreign trade in services.

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¹ Many thanks to Kent Friberg, Anders Lindström, Jyry Hokkanen, Mattias Erlandsson, Mikael Apel, Anders Vredin and Åsa Olli Segendorf for valuable comments.

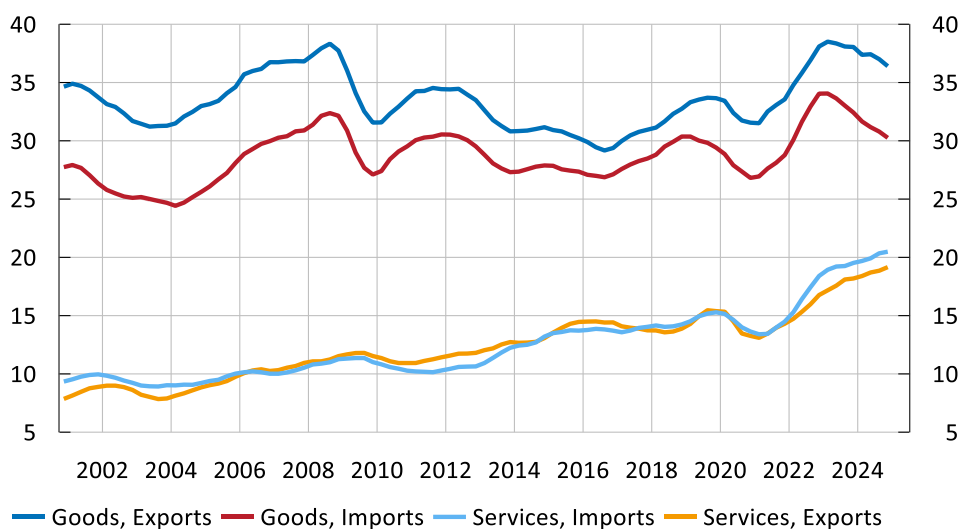
1 Foreign trade in services – an increasingly important part of the Swedish economy

Sweden's foreign trade in services has been increasing gradually over a long period and its growth has accelerated in the last five years. The upturn is concentrated in certain types of services, which are closely linked to intellectual property and head office functions. These are mainly fees for intellectual property rights, data and telecommunication services and research and development (R&D) services. These services are also growing internationally, contributing to an increase in global trade in services. A few multinational enterprises account for a significant share of foreign trade in services in Sweden and explain a large part of the increase.

Sweden is a small open economy that has long had increasing international trade. Until the global financial crisis in 2008, foreign trade in both goods and services increased as a share of GDP. Since then, trade in goods has stagnated, while trade in services has continued to grow (see Figure 1). Moreover, the share of GDP arising from the trade in services has increased significantly over the last five years. Exports and imports accounted for 19.2 and 20.5 per cent of GDP respectively in 2024, an increase of 3.8 and 5.2 percentage points since 2019.

Diagram 1. Foreign trade in goods and services as a share of GDP. Quarterly, moving average

Per cent of GDP



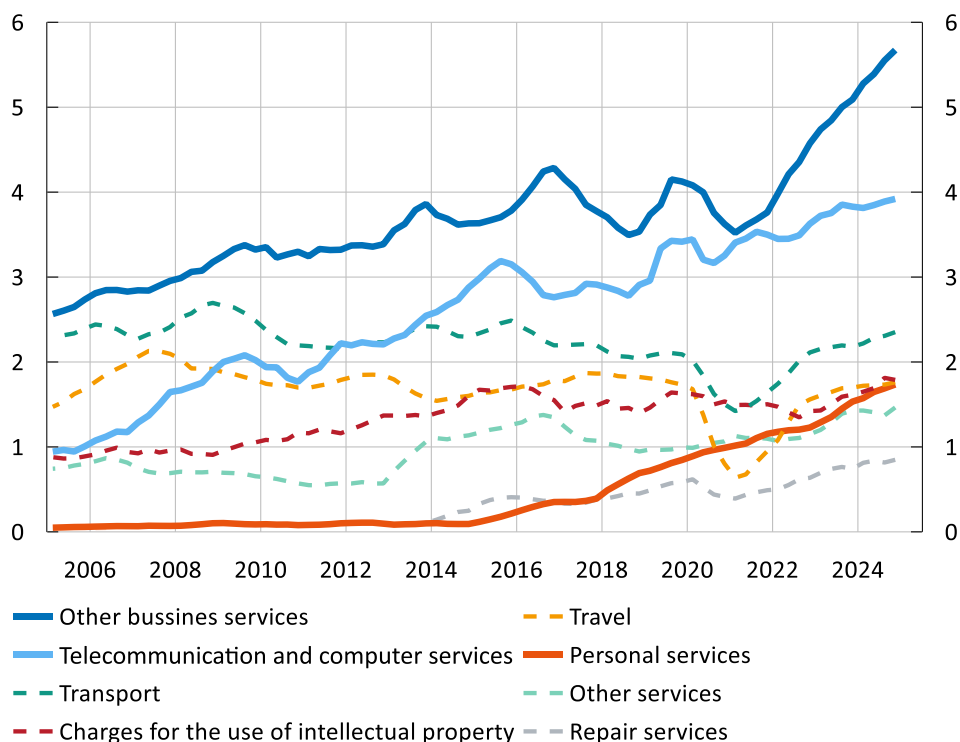
Source: Statistics Sweden.

1.1 Growth of trade in services concentrated in a few service types

In the statistics on external trade in services, exports and imports are broken down into a number of different service types.² One way to get an overview of what has mainly driven both the long-term trend and the sharp rise in recent years is to look at exports and imports, broken down by these service types. Historically, foreign trade in services has been very much about transport and travel. These services accounted for almost half of total trade in services in 2004 but have since declined in importance, accounting for just under a quarter in 2024. Measured as a share of GDP, these services have remained broadly unchanged compared with 20 years ago, as shown in Figures 2 and 3.

Diagram 2. Exports of services by type of service

Per cent of GDP, four quarter moving average



Note. Other business services include research and development, technical and administrative services, marketing, etc. Other services consist of construction, insurance, financial and public services.

Source: Statistics Sweden.

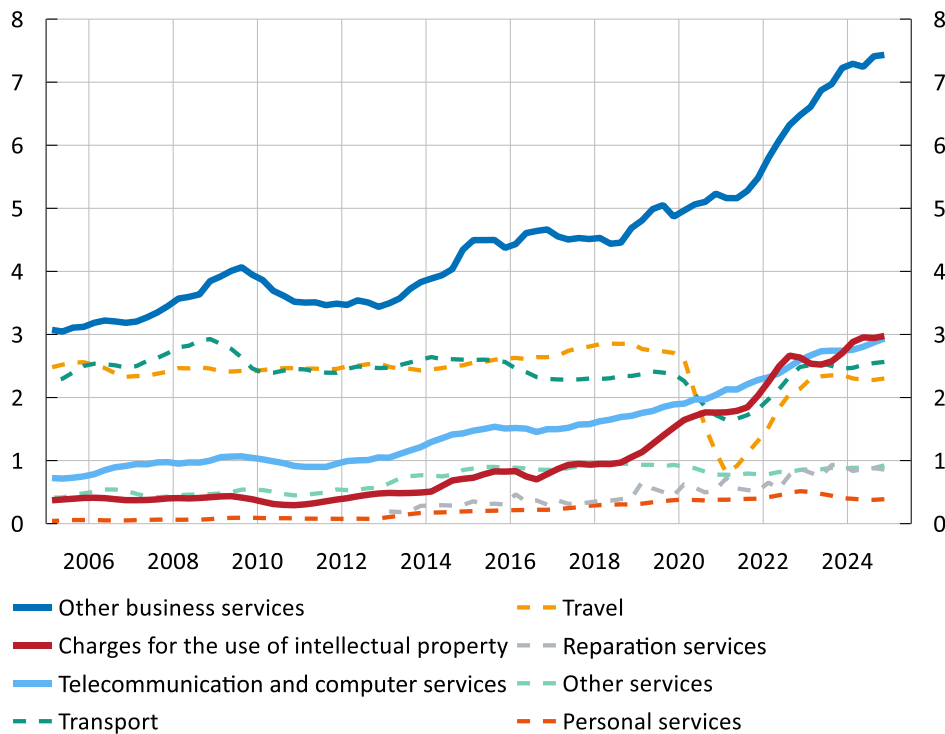
Within services exports, telecommunication and computer services have instead increased gradually over the past 20 years, from 1 to 4 per cent of GDP (see Figure 2 above). Internet and mobile phone services and computer games are examples of this type of service. The largest service category is referred to in the statistics as other

² To describe the different service types in international trade in services in this Staff Memo, the classification of services according to EBOPS 2010 (Extended Balance of Payments Classification 2010) is used, which is internationally the most common product classification of statistics on international trade in services.

business services and has seen the strongest growth since 2019. It covers research and development services, legal, marketing and accounting services, among others. Another type of service that has shown remarkable growth over the past decade is personal services, which include streaming films and music. Other types of exported services have shown more modest growth and have remained at the same share of GDP over the period analysed.

Diagram 3. Imports of services by type of service

Per cent of GDP, four quarter moving average



Note. Other business services include research and development, technical and administrative services, marketing, etc. Other services consist of construction, insurance, financial and public services.

Source: Statistics Sweden.

Similar developments can be seen in the import of services (see Figure 3 above). In particular, other business services have grown strongly over the past five years, while data and telecommunication services have risen throughout the entire period. Fees for the use of intellectual property rights have also increased throughout the period and in particular since 2019. This includes, for example, licences to use patents or designs, but also royalties. On the other hand, other service types have remained at the same level as before.

To summarise, growth in foreign trade in services is concentrated in a relatively small number of service types on both the exports and imports.

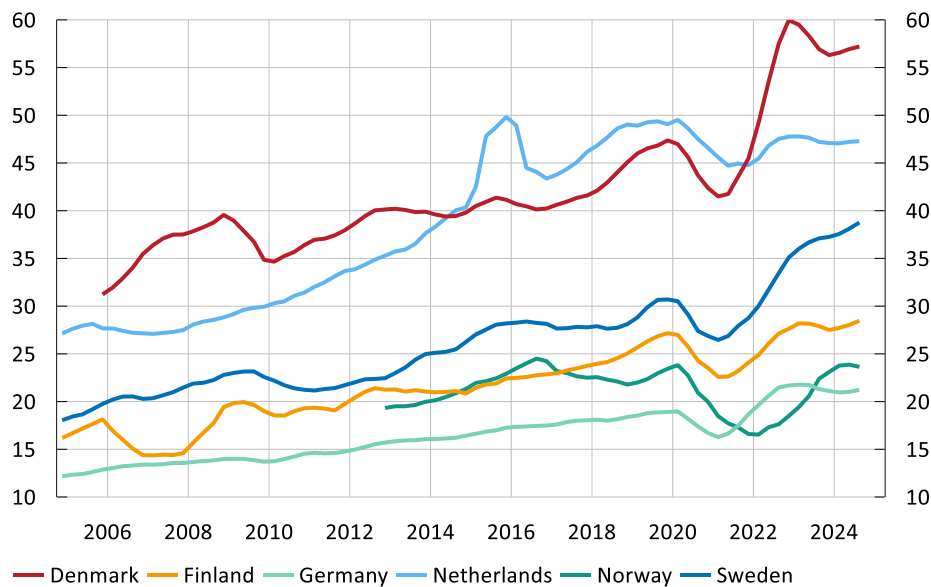
1.2 Sweden is following a global trend

The growing importance of trade in services for the economy is not unique to Sweden. Baldwin et al. (2024) see a similar trend globally. They begin by noting that global trade in goods has levelled off since 2008, while trade in services has continued to grow. Furthermore, they make a distinction between 'traditional' and 'modern' services, with traditional services consisting of transport and travel. Modern services consist of all other types of services such as computer and telecommunication services, intellectual property rights fees, other business services and so on. As in the case of Sweden, it is modern services that are driving growth globally, while traditional transport and travel services are not increasing.

The same long-term upward trend can be seen when looking at the development of trade in services in comparable countries (see Figure 4). Denmark, Germany, Finland and the Netherlands have also seen a trend increase in trade in services over the last 20 years. When these countries' trade in services is broken down into modern and traditional services, the same pattern emerges. Modern services are increasing while traditional services remain at the same level. However, Denmark is an exception, with its large exports and imports of transport services dominating the services trade. Exports and imports of modern services are increasing in Denmark but so are transport services. As in Sweden, Danish trade in services has shown a strong increase since 2019 but in Denmark's case it is largely due to transport services.

Diagram 4. Trade in services in some comparable countries

Per cent of GDP, four quarter moving average



Note. In the figure, trade in services is defined as the sum of imports and exports of services relative to GDP.

Source: Eurostat.

1.3 A small number of multinationals are driving the rise in Swedish trade in services

In a study by Accoto et al. (2023), foreign trade in services is divided into

- services linked to intellectual property products (i.e. research and development, fees for intellectual property rights and data services),
- head quarter services (i.e. consultancy, accounting, marketing)
- other services (i.e. those not included in the other categories).

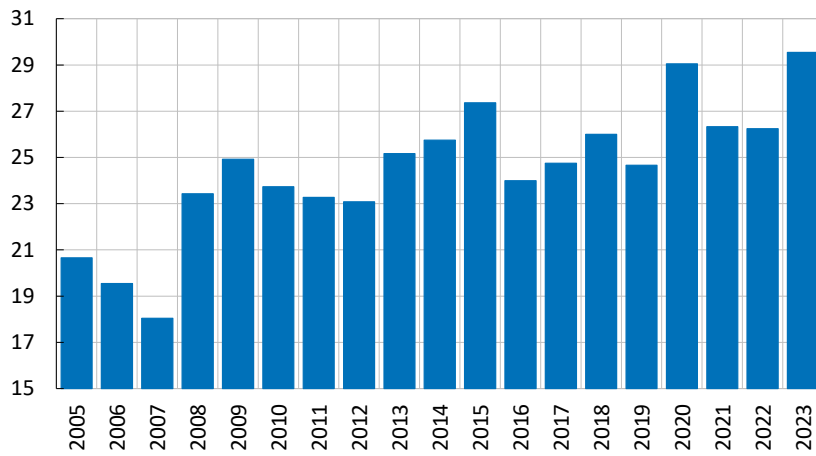
By studying microdata, they find that it is mainly large multinational enterprises that produce the services linked to intellectual property and head quarter. It is these services that account for the increase in Swedish foreign trade in services and they are also the ones that Baldwin et al. refer to as ‘modern’. With this in mind, this Staff Memo examines whether large multinationals have also played a significant role in the rise of the services trade in Sweden.

Figure 5 shows the ten largest companies in foreign trade in services and their share of total foreign trade in services. Together, these accounted for 30 per cent of the trade in services in 2023, which is an increase of nine percentage points since 2005. They also account for 33 per cent of the cumulative growth in trade in services between 2005 and 2023. Moreover, their contribution to the growth of trade in services intensified in 2022 and 2023. They accounted for 39 and 34 per cent of total growth in services exports and imports respectively in these years.

These results are in line with other studies of large multinational enterprises and their impact on a country’s foreign trade. Freund et al. (2015) studied the five largest multinational enterprises in 32 countries and found that they account for an average of 30 per cent of the countries’ total exports. At the same time, variations in the exports of these companies explain about half of the total variation in total exports in the various countries.

Diagram 5. The ten largest companies' share of total trade in services in Sweden

Per cent



Note. In the figure, trade in services is defined as the sum of exports and imports of services.

Source: Statistics Sweden

Trade in services is thus highly concentrated in a few large companies in Sweden and this concentration has been increasing over the last 20 years. To summarise, large companies have played a prominent role not only in the long-term growth of total trade in services but also in the accelerating growth of the last five years. These companies are well-known multinationals in the automotive, pharmaceutical, computer programming and wholesale industries. The companies have a global structure with head office, research and development and intangible assets located in Sweden.

2 Corporate structure and activities of Swedish multinationals

The multinationals that are the main contributors to the growth in foreign trade in services have their value-creating functions and assets, such as head office, intangible assets and research and development, in Sweden. Their global corporate structure leads to significant intra-group transactions with foreign countries. Some of them are also successful in digitalisation, resulting in high exports of data and streaming services. These companies are increasingly investing in intangible assets, giving rise to the type of services that are driving growth in the trade in services.

A handful of large Swedish multinationals have thus made a decisive contribution to the growth of Swedish trade in services abroad. Growth has been concentrated in a small number of service types related to head office and intellectual property. This section analyses in more detail some of the underlying factors behind these companies' growing trade in services abroad.

The analysis in this section is based on both microdata from statistics on foreign trade in services and direct investment. The analysis covers the ten largest companies that have driven the rise in trade in services. In some cases, the study also draws on information from in-depth interviews with some of these companies.

2.1 Globalised operations with value-creating functions remaining in Sweden

In the 1990s, reduced trade barriers and financial liberalisation contributed to Swedish companies increasingly choosing to relocate their operations to other countries. As a result of economic globalisation, Swedish multinationals now have a corporate structure in which production, income, costs and financing are shared between different countries. Behind the different structures of the companies is, of course, a desire to maximise profits, taking into account factors such as wage costs and access to skilled labour but also tax planning and so on. What many of the companies have in common is that they have chosen to locate all or part of their production abroad. They have also chosen to keep key functions and assets in Sweden, such as head office, research and development and intellectual property.³ This also applies to the companies studied in this Staff Memo.

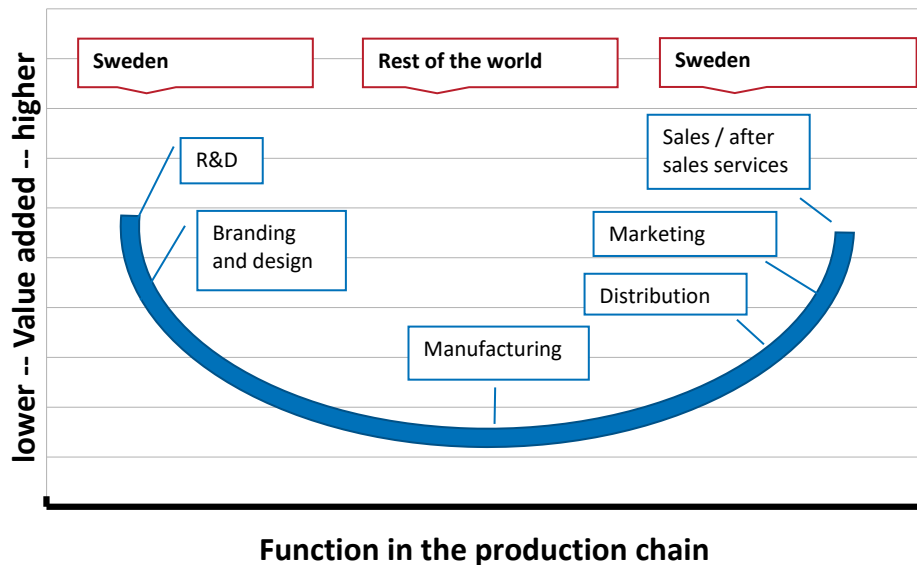
In the economic literature, one way of distributing production within a company can be illustrated by the so-called 'smile curve'.⁴ The smile curve shows in graphical form how

³ Hakimi Fard et al. (2017)

⁴ See OECD (2013)

value added is distributed between different parts of a production chain (see Figure 6). Functions and assets that have high value added, and thus generally generate high income, are often located in Sweden. It could be said that the part of operations present in Sweden is located in the corners of the smile.

Diagram 6. The smile curve and what the creation of value added often looks like for Swedish companies in global production processes



Source: OECD (2013).

Large companies' global operations lead to extensive trade in services

Global operations mean that a company has a structure in which different parts of the production process take place in different countries. Some parts of production may be carried out by companies within the same group abroad and other parts via external suppliers of goods and services. For those parts of production that take place within the same group, revenues and costs need to be reallocated between entities within the group. The implementation of this reallocation depends on the structure of the group.

As described above, it is common for Swedish corporate groups to locate important parts of production that generate high value added in Sweden, such as head office, research and development and intangible assets. In practice, this means that the Swedish entities usually 'own' the products sold globally regardless of where they are produced. The Swedish units thus receive revenue for global sales and reimburse the foreign units for their work. In some cases, the foreign entities pay for central functions, such as accounting and marketing, carried out in Sweden on behalf of the whole group. It also happens that the Swedish entity provides the invoicing of intra-group transactions that take place between foreign entities. This type of arrangement acts as a kind of multiplier for the Swedish companies' foreign transactions. If global sales increase, this will lead to increased transactions between the Swedish entity and the other foreign entities within the group.

A significant part of the increase in foreign trade in services in recent years is explained by intra-group transactions within a few multinational enterprises. This is shown by information from in-depth interviews with some of the multinational enterprises in question, microdata and the Riksbank's ongoing communication with Statistics Sweden. The Swedish entities of the group have thus played a central role, which largely explains the growth in exports and imports of business services and intellectual property rights fees, as shown in Figures 2 and 3.

2.2 World leaders in the digital economy

Alongside globalisation, another factor has contributed to the rapid growth of large companies' trade in services, namely digitalisation. Digitalisation and globalisation are two highly interlinked processes. Globalisation has promoted digitalisation by facilitating the spread of new knowledge and technologies, the use of patents and trade with the rest of the world, to give a few examples (IMF 2018). At the same time, digital solutions have facilitated and streamlined the global organisation of multinational enterprises, allowing the allocation, coordination and management of activities in different countries in real time. In this section, we focus on two digitalisation phenomena that are highly relevant for the companies that have contributed to the boom in foreign trade in services. It is about the servitisation of the economy and the emergence of new digital services.

Servitisation of the economy

The servitisation of the economy means that the service component of the goods produced and sold by Swedish producers is becoming an increasingly important part of the final product. For Sweden, this is particularly a matter of service content linked to investment goods, which account for a significant share of Sweden's exports. The service component refers primarily to software and telecommunication services that are central to the performance of the goods. One example is software-driven features and digital systems, which are a major part of the value of modern cars.⁵ The service component can be sold either together with a good, in which case it is counted as trade in goods, or separately, which becomes trade in services in the statistics. Separate sales often involve software updates or licence agreements that can be renewed on an ongoing basis. Alongside these services linked to a specific product, the same company may sell other IT services. Taken together, these services generate significantly more income for the company than the sale of the good. The increase in exports of computer services in Figure 2 can mainly be explained by these digital services.

Production and business activities take place globally in the companies studied. This means, among other things, that the data services sold from Sweden may have been produced within the group in another country. The large Swedish multinationals have production facilities all over the world, developing and providing software and computer services. However, it is the Swedish entities that own the intellectual property rights linked to both the product design and the software. As previously described in

⁵ See RISE Research Institutes of Sweden (2025)

section 2.2, this business structure means that large transactions are recorded in the Swedish balance of trade in services, both on the export and import side.

Emergence of new digital services

In recent decades, Sweden has been a leader in Europe in new technologies and has more start-ups⁶ than many other countries, as several different measures also show.⁷ For example, Sweden has produced 41 unicorn start-ups, meaning companies with a market capitalisation of over USD 1 billion. Swedish start-ups were valued at EUR 239 billion in 2023, which is a doubling since 2018.⁸

The rapid growth of start-ups in Sweden, both in number and size, combined with their global business models, has had a clear impact on foreign trade in services. Some of them sell their services from Sweden directly to households around the world, which has resulted in rapid growth in exports of personal services, which includes streaming services (see Figure 2). The business model also means that Swedish companies need to pay fees for intellectual property rights, which are linked to the services sold. The owners of these intellectual property rights are often foreign companies, which has contributed to the sharp increase in imports of intellectual property rights shown in Figure 3.

2.3 Intellectual property rights play a central role

We have described how a few Swedish multinationals are behind the strong growth in foreign trade in services in Sweden in recent years. Intellectual property and the rights associated with it are central to development, as they give rise to the types of services that have contributed most to growth. But what are intellectual property rights? What are the trends in investment in intellectual property in Sweden? And how do intellectual property rights generate income for businesses?

Intangible assets refer to products such as inventions, literary and artistic works, and names and images used by companies.⁹ Intangible assets are protected by intellectual property rights such as patents, copyrights, trademarks, design rights and so on. These kinds of assets generate income in different ways.

- They are often embedded in the final products that are sold by the companies that own them, giving more value added to the product and thus generating a higher turnover for the company.
- Other times, the companies that own the intangible assets sell to other companies the right to use these assets in their production process. These payments or fees for the use of intangible assets are considered as services and

⁶ 'Start-ups' are independent, young, innovative companies with the ambition to grow and which have a competitive, scalable business model with international growth potential.

⁷ Sweden is ranked third (2023) in Europe for investments in 'Deep tech' and second for investments in 'Impact'. See Vinnova ([Swedish startups attract investments | Vinnova](#))

⁸ See Vinnova ([Swedish startups attract investments | Vinnova](#)).

⁹ According to the definition of the European Commission (see [Intellectual property | Access2Markets](#))

recorded in the foreign trade statistics when the transaction involves companies located in different countries.

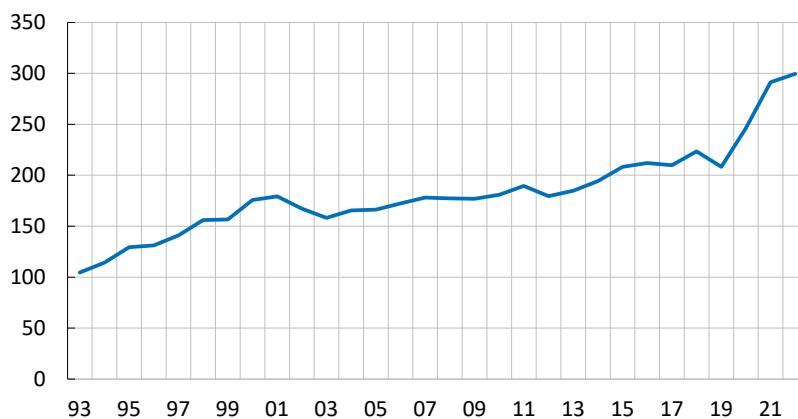
- Finally, similar to tangible assets, the ownership of the intangible assets can be transferred generating an income for the seller.

It is common for Swedish multinationals to have their intangible assets located in Sweden. As with other assets, the acquisition¹⁰ of intellectual property rights is recorded as gross fixed capital formation in economic statistics. The statistics thus provide information on how the ownership of these assets has evolved over time.

Figure 7 shows how business sector investment in intangible assets increased steadily until 2019 and then accelerated further.¹¹ Moreover, investment is concentrated in a few sectors. Four sectors accounted for around 50 per cent of business sector investment in intangible assets in 2020 (see Figure 8). These are the very sectors where multinationals play a crucial role in the growth of foreign trade in services. The ownership of intellectual property rights is thus closely linked to the increase in foreign trade in services. As the stock of intellectual property grows, more revenue is generated for the group entities that own it, including through fees for the use of the intellectual property and the sale of data services on the export side (see Figure 2).

Diagram 7. Swedish business sector investment in intangible assets

SEK billion. Fixed prices, reference year 2020



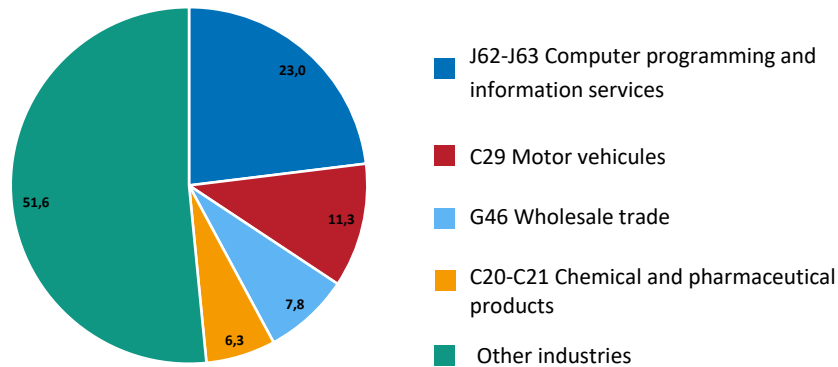
Source: Statistics Sweden.

¹⁰ Net acquisition, i.e. acquisitions less disposal of intangible assets.

¹¹ Figures 7 and 8 are based on the statistical definition of intellectual property rights, which is a narrower version and refers to rights related to research and development, software and databases, mineral exploration and original literary, musical and artistic works.

Diagram 8. Shares of different industries in total business sector investment in intellectual property in 2022

Per cent



Source: Statistics Sweden.

However, a few of the companies studied do not own the intellectual property rights for the products they sell. The rights are instead owned by foreign companies, which means that Swedish companies have to pay fees to use them in the production process. As Swedish companies increase their sales and exports of certain goods and services, they have to pay more in royalties or licences to foreign companies, for example, which has resulted in the increase in imports of fees for the use of intellectual property rights shown in Figure 3.

2.4 Trade in services is strongly interlinked with other foreign transactions

It takes more than analysing foreign trade in services and the major companies that have contributed to its development to understand how these companies affect the economy. This is because business transactions for the export and import of services rarely occur in isolation from other types of foreign transaction.

Several of the multinationals included in our analysis are involved in the sale and purchase of both goods and services. This means that the growing foreign trade in services is closely linked to companies' transactions in goods, often with foreign counterparts. One clear example is the ongoing servitisation, whereby more and more goods are sold together with a service component such as software. Other examples are when subsidiaries need to pay design fees or patent fees to the parent company in order to manufacture the product. The upturn in the trade in services can thus be linked to developments in exports and imports of certain goods.

There is an additional dimension to take into account. Ultimately, the profits of a multinational enterprise are also redistributed via the return on capital according to the ownership structure of the group. For example, the profits of Swedish companies can be distributed to foreign shareholders. This means that transactions in the trade in

services and goods are also linked to transactions with the rest of the world via returns on foreign capital investment.¹² To better understand how trade in services is evolving in an environment where multinational enterprises are becoming increasingly important, it is also necessary to understand the evolution of other foreign transactions.

¹² A description of how these transactions are recorded in the balance of payments of a fictitious multinational enterprise is provided in Appendix 1.

3 Trade in services continues to grow but there are uncertainties

Factors such as the development of the digital economy and the increasing availability of skilled labour in emerging economies point to continued growth in foreign trade in services, both globally and in Sweden. But the future is uncertain, and there are also risks such as geopolitical tensions and potential trade barriers that could slow down the growth of trade in services.

Swedish trade in services abroad is largely driven by a few multinational enterprises. How well they perform and how they choose to organise their operations is therefore of great importance for the development of Swedish trade in services.

Several factors suggest that trade in services between countries will continue to grow. Baldwin et al. (2024), for example, argue that trade in services is now driving globalisation as the development of trade in goods has stalled and that this is a trend that will continue. They believe that intermediate services, namely marketing, accounting, communication and recruitment, will be the main contributors to this development. One reason is that digital technology is developing rapidly. Various capacity constraints that are common in the production of goods are not present in the production of services. Intermediate services are already being offered by many emerging economies and no major investment is required to locate service production in these countries. Finally, labour costs in emerging economies are lower, while there is an increasing supply of skilled workers.

These global trends are also affecting Sweden and contributing to the continued growth of foreign trade in services. There are examples of Swedish companies choosing to locate service functions abroad. In the Riksbank's Business Survey from October 2024, companies mention that a shortage of staff with IT skills means that they are hiring more people in data centres abroad, for example.

A few multinational enterprises have been the main contributors to the growth of Swedish foreign trade in services over the past 20 years. The geographical location of their intangible assets and head office functions plays a key role in trade in services. Companies' location decisions partly depend on tax and regulatory factors. In other words, changes in trade and corporate taxation in different countries can affect trade in services. One initiative that could lead to such changes is the BEPS project¹³, in which 140 countries are working together to protect tax bases and prevent companies from shifting profits through advanced tax planning. The proposal to levy tax where

¹³ Base Erosion and Profit Shifting (BEPS), see OECD/G20 (2015)

the sale takes place could have a major impact on Swedish companies that have a large share of their sales abroad.¹⁴

The uncertain geopolitical situation we find ourselves in, with possible trade barriers and a greater risk of trade wars between countries, may have an impact on Swedish foreign trade in services. The import tariffs discussed at the time of writing this staff memo relate to goods only. However, as we have noted in previous sections, trade in goods and services are interlinked. Disruptions in international trade in goods can thus also have an impact on trade in services.

Finally, the fact that individual multinational enterprises are so important for trade in services is a factor that makes it difficult to assess the development of Swedish foreign trade in services. How individual companies perform or how they choose to organise themselves will therefore have a major impact on future developments.

¹⁴ Andersson 2016

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APPENDIX 1 – A brief overview of the foreign trade in services, a component of the current account

According to the Balance of Payments and International Investment Position Manual (BPM6), foreign trade occurs when trade is conducted with a counterparty resident in another country. Residency is where a party has its strongest economic ties. For example, this could be an office, a dwelling (for households) or a production facility. Foreign trade also includes transactions between companies belonging to the same group but domiciled in different countries.

Both goods and services are the result of a production process. Services differ from goods in that they are generally consumed at the same time as they are produced. Transport services are an example of this. There are some exceptions, such as data services that are produced and consumed at different times. Another difference is that goods are physical products. For example, computer services include software, while hardware is categorised as goods. In some cases, goods are included in the trade in services. One example is travel, where our consumption abroad is classified as trade in services regardless of whether we bought a good or a service.

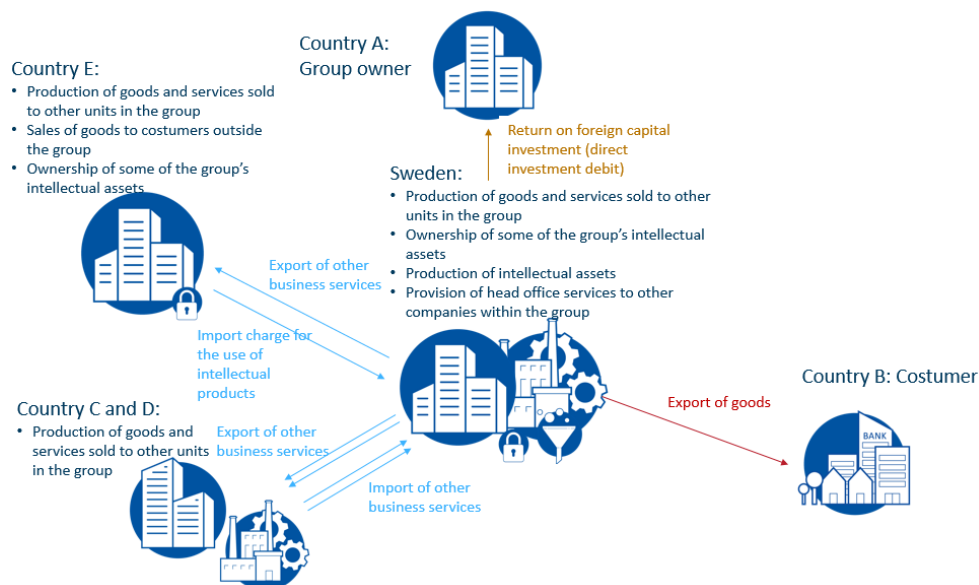
Foreign trade in services is a component of the current account that shows all of a country's transactions with the rest of the world. Along with trade in services, the current account includes exports and imports of goods, and transfers and return on capital to and from abroad.

APPENDIX 2 - Fictitious example of a company with global operations and intra-group trade in services

Diagram 1 and Table 1 below illustrate a fictitious Swedish company with global operations, which has the roles and functions common to the large companies described in this Staff Memo. The Swedish company in the example performs value-creating and central functions in the international group of companies to which it belongs. This means that it produces and owns part of the group's intellectual property assets. It also provides other key services for the whole group, such as marketing and billing. This structure results in a number of transactions between the Swedish company and other companies in the group, which are recorded as foreign trade in services. The Swedish company also owns the product that is sold to the final customer abroad, regardless of which entity in the group manufactured it, giving rise to exports of goods from Sweden. When the product is sold, fees are paid for the use of part of the intangible assets, which are owned by a company in the same group located abroad. Finally, part of the Swedish company is owned by foreign owners in a direct investment relationship¹⁵, which leads to a capital return outflow to them, for example in the form of dividends. The aim of the illustration is to gain an overall understanding of the global structures that have led to the rise in trade in services (both the trend and the surge in recent years) and how this rise relates to other foreign transactions (trade in goods and return on capital).

¹⁵ Direct investment occurs when an investor resident in one country makes an investment that confers control or a significant degree of influence over the management of a company resident in another country. In practice, a direct investment relationship arises when a company owns the shares of another company located abroad that gives it a voting share of 10 per cent or more in the company.

Figure 1. Example of a fictitious Swedish multinational enterprise and its (real) transactions with foreign countries



Note. In the example above, companies in Sweden and countries A, C, D and E belong to the same group. The transactions are reported from the perspective of the Swedish economy.

Tabell 1. Accounting for (above example) large company transactions in Sweden's current account

In SEK billion

Transaction	Export/credit	Import/debit	net
Trade in goods (1)	100		100
Export goods to country B	100		
Trade in services (2)	60	95	-35
Imports of other business services from country C		25	
Imports of other business services from country D		20	
Exports other business services to country C	20		
Exports other business services to country D	20		
Import duties for use of IP from country E		50	
Exports other business services to country E	20		
Primary income/return on capital (3)		15	-15
Return on foreign direct investment in Sweden		15	
Current account (4= 1+2+3)	160	110	50
Sweden's net lending (5 = 4)			50



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