

# Information on the Modes of Supply Survey

The survey on Modes of Supply aims to compile statistics on how services are provided internationally. This has long been requested by statistics users.

The information to be provided by you is based on the data you submitted last year in the survey on Foreign trade in services, non-cross-border goods and current transfers. It concerns transactions with foreign countries/foreign entities. The questions relate only to a number of service items ("SCB codes") where the link between the type of service and the Mode of Supply is not evident. No land distribution needs to be done.

**Central to assessing the Modes of Supply is knowing which country's territory the seller and the buyer were located in when the service was supplied.**

## **Mode 1: Cross-border supply**

This occurs when a service is supplied from the territory of one country to the territory of another. The definition means that both the seller and the buyer remain within their respective territories when the service is provided. This is similar to trade in goods, where the product is delivered across borders while the buyer and seller stay in their own territories. Examples include data, banking, or engineering services transmitted online or by post. It may also involve the use of subcontractors, where transactions between principals and subcontractors are most often the Mode 1 type. See the section 'Subcontracting of services' for more information.

## **Mode 2: Consumption abroad**

This occurs when the service is supplied within the territory of a country where the buyer from another country, or the buyer's property, is also located. This means that either (i) the buyer is abroad when the service is supplied, or (ii) the service relating to the buyer's property is supplied abroad. Typical examples of the former include tourist activities such as visits to museums and theatres or travelling abroad to receive medical treatment or attend language courses. For transactions relating to a buyer's property, Mode 2 is only relevant when the service changes the condition of the good or the physical asset itself. Examples include services such as ship repairs carried out abroad or processing of goods abroad that are owned by the purchaser of the processing service.

***Mode 3 is not included in the survey, but is described at the end of this text for those interested***

## **Mode 4: Presence of natural persons**

This occurs when a natural person is temporarily present in the territory of another country than their own in order to supply a service. Mode 4 is defined as the supply of a service through the presence of natural persons in the territory of another country. Examples include construction and installation services carried out on-site abroad, without establishing a branch or subsidiary there.

## **Subcontracting of services**

Services such as transport, construction, IT and many others can be subcontracted or outsourced. These arrangements typically involve a service arranger (or principal) who is paid by a customer to provide a service, while the actual delivery of the service is subcontracted to another service provider. Even in these cases, the decisive factor is where the seller and the buyer are located when the services are supplied.

If the principal is located in a different country than the customer when the service is supplied, transactions between the principal and the customer are classified as Mode 1. If the subcontractor is foreign, transactions between the principal and the subcontractor are

therefore also classified as Mode 1. If both the principal and the subcontractor provide services on-site at the foreign customer's location, the corresponding transactions between the principal and the customer are classified as Mode 4, while transactions between the principal and the subcontractor are classified as Mode 1. In cases where both the principal and the customer are Swedish entities and the service is supplied in Sweden, transactions between the principal and a foreign subcontractor are classified as Mode 4.

### **Mixed Modes of Supply**

It is of course common that a project involves a mix of different types of service provision. In such cases, each component of the service provision must be assessed separately. A construction company carrying out a project abroad may provide services from home (Mode 1), on-site (Mode 4), and by engaging subcontractors (Mode 1). In these situations, fairly rough estimates of the distribution across different Modes of Supply may sometimes be required. Different types of service provision may also occur for different customers and countries. In such cases, the distribution across the Modes of Supply should be allocated approximately according to the actual value distribution.

### **Mode 3 (Not to be reported in the survey)**

Mode 3 covers services supplied through the establishment of subsidiaries or branches abroad. These foreign establishments are considered part of the foreign economies. Since this is not included in Sweden's international trade in services, Mode 3 is calculated separately and not through this survey.