U.S. Trade in Services:

Cross-Border Services Trade and Services Supplied Through Affiliates

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Office of Trade and Economic Analysis
Trade Policy and Analysis
Industry and Analysis
International Trade Administration
Services play a vital role in the U.S. economy

Services output has historically grown more rapidly than other major sectors of the economy.

Average Annual Change in Real Value Added, 1987-2012

- Manufacturing: 2.7%
- Services: 2.8%
- Agriculture, forestry, fishing, and hunting: 2.0%
- Government: 0.9%
- Mining: 0.1%
- Construction: -0.2%

Source: Bureau of Economic Analysis, Real Value Added by Industry Chained (2005) dollars
In 2012, private services accounted for 69 percent of U.S. GDP

Finance, insurance, real estate, rental, and leasing services accounted for the largest share of business, professional and technical services in 2012

2012 Value Added to GDP by Industry

Source: Bureau of Economic Analysis, Value Added by Industry
In 2011, private services accounted for 68% of U.S. employment

Education and health care services accounted for the largest share of private services employment in 2011 (values below in millions of full-time equivalent employees)

- Educational services, health care, and social assistance: 18.1 million (15%)
- Professional and business services: 16.4 million (13%)
- Retail trade: 12.7 million (10%)
- Arts, entertainment, recreation, accommodation, and food services: 10.8 million (9%)
- Finance, insurance, real estate, rental, and leasing: 7.4 million (6%)
- Wholesale trade: 5.4 million (4%)
- Transportation and warehousing: 4.1 million (3%)
- Information: 2.5 million (2%)
- Utilities: 0.5 million (1%)
- Other private services: 5.7 million (5%)
- All other sectors*: 39.0 million (32%)

Private services: 83.6 million (68%)

*Includes government services

Chart values presented in millions of full-time equivalent employees; latest data available

Source: Bureau of Economic Analysis, Full-Time Equivalent Employees by Industry
In 2012, an estimated 2.5M jobs are supported by services exports and 3,997 jobs are supported per billion dollars of services exports.

*Source: Feb 2013 ITA Jobs Supported by Exports 2012, an Update*
Services also play a significant role internationally.

Services accounted for 30 percent of U.S. exports in 2012.

Among the top 50 exporters worldwide (total exports), U.S. services as a share of total exports is the 10th highest.

Services accounted for 30 percent of U.S. exports in 2012.

Source: Bureau of Economic Analysis, NIPA 1.1.5

Source: UNCTAD
U.S. is the largest services exporter in the world, both in overall commercial services and in most major services categories.

Source: UNCTAD
Services trade uses two types of measures:

- Cross-Border Trade
  - Exports
    - Affiliated Trade
      - By Service Type: Travel, Passenger fares, etc.
    - Unaffiliated Trade
      - etc.
  - Imports
    - etc.
- Services Supplied through Affiliates
  - Services Supplied by Non-Bank Majority Owned U.S. Affiliates
  - Services Supplied by Foreign MO Affiliates in the U.S.
    - etc.
  - By country
Sales of services through affiliates of multi-national corporations far exceeds that of cross-border services trade

*New reporting methodology beginning in 2004 resulted in a marked discontinuity in the time series trend

Source: Bureau of Economic Analysis, U.S. International Services, Table A
The European Union remains a major market, but losing share to Asia

- Since 2009, the Asia & Pacific region has shown rapid growth, up 31 percent, with Singapore showing the highest growth during this period in dollar terms.
- While still the top regional market, as a share of the global total the European Union has lost share over time to markets in Asia, South and Central America, and the Middle East.

Top Markets for Services Supplied through Affiliates of U.S. MNCs

Source: Bureau of Economic Analysis, U.S. International Services, Table 8
Finance and insurance services account for most of the exports supplied through affiliates of U.S. MNCs.

*2011 Services Supplied Through Affiliates of U.S. MNCs by industry (billions of US dollars)*

- Finance and insurance: $252.2
- Professional, scientific, and technical services: $182.0
- Information: $162.9
- Wholesale trade: $242.0
- Retail trade: $90.1
- Real estate and rental and leasing: $46.3
- Manufacturing: $32.8
- Other industries: $278.7

*2011 Services Supplied Through Affiliates to Top Markets*

- Australia
- Japan
- Switzerland
- United Kingdom
- Germany
- France
- Canada

*Pie chart dollar values presented in billions of US dollars
2011 is the latest data available
Source: Bureau of Economic Analysis, U.S. International Services, Table 9*

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U.S. Department of Commerce | International Trade Administration
In 2012, U.S. services exports increased by 5% since the previous year, with the trade surplus growing by 8%.

Cross-border Services Trade, 1999-2012

[Chart showing trends in cross-border services trade from 1999 to 2012, with data points representing billions of US dollars for exports, imports, and balance.]

Source: Bureau of Economic Analysis, U.S. International Services, Table 1

$628.1
$414.7
$213.5
Business, professional, and technical services captured the largest share of U.S. cross-border service exports in 2012, and was also among the fastest-growing sectors.

U.S. cross-border services exports totaled $628.1 billion in 2012

Since 2008, exports of telecommunications and education services have shown the highest average annual growth.

Pie chart dollar values presented in billions of US dollars

Source: Bureau of Economic Analysis, U.S. International Services, Table 1
Business, professional, and technical services exports totaled $153.1 billion in 2012, led by management and consulting services.

<table>
<thead>
<tr>
<th>Service</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management, consulting, and public relations services</td>
<td>$37.0</td>
</tr>
<tr>
<td>Research, development, and testing services</td>
<td>$26.7</td>
</tr>
<tr>
<td>Operational leasing</td>
<td>$8.3</td>
</tr>
<tr>
<td>Computer and information services</td>
<td>$17.3</td>
</tr>
<tr>
<td>Construction, architectural, and engineering, services</td>
<td>$11.5</td>
</tr>
<tr>
<td>Installation, maintenance, and repair of equipment</td>
<td>$15.2</td>
</tr>
<tr>
<td>Legal Services</td>
<td>$8.7</td>
</tr>
<tr>
<td>Advertising</td>
<td>$7.0</td>
</tr>
<tr>
<td>Industrial engineering</td>
<td>$6.5</td>
</tr>
<tr>
<td>Other business, professional, and technical services</td>
<td>$14.8</td>
</tr>
<tr>
<td>All other private services</td>
<td>$475.0</td>
</tr>
</tbody>
</table>

Source: Bureau of Economic Analysis, U.S. International Services, Table 1
Cross-border imports of private services in 2012 were led by travel and business, professional, and technical services

2012 U.S. Services Exports by Sector (billions of US dollars)

- Business, professional, and technical services: $116.2
- Travel: $83.5
- Other transportation: $55.4
- Royalties and license fees: $39.9
- Passenger fares: $34.7
- Insurance: $52.6
- Financial services: $17.0
- Telecommunications: $8.0
- Education: $6.0
- Other private services: $1.5
- Research, development, and testing services: $28.8
- Computer and information services: $25.7
- Management, consulting, and public relations services: $27.2
- Other business, professional, and technical services: $13.6
- Installation, maintenance, and repair of equipment: $7.2
- Advertising: $3.1
- Industrial engineering: $2.9
- Construction, architectural, and engineering services: $2.8
- Operational leasing: $2.6
- Legal services: $2.2

Billions of US dollars

Source: Bureau of Economic Analysis, U.S. International Services, Table 1
The U.S. has a trade surplus in services, two-thirds of which is due to surpluses in royalties and license fees and financial services trade.

### 2012 Trade Balance by Major Services Sector

**Royalties and license fees**
- **$84.3**

**Education**
- **$18.7**

**Financial services**
- **$59.5**

**Business, professional, and technical services**
- **$36.9**

**Telecommunications**
- **$6.0**

**Insurance services**
- **-$36.5**

**Other**
- **$36.9**

**Port services**
- **$4.7**

**Other transportation**
- **-$11.6**

**Freight**
- **-$40.0**

**Passenger fares**
- **+$4.7**

**Travel**
- **+$42.8**

**Other**
- **$26.0**

**Billions of US dollars**

Source: Bureau of Economic Analysis, U.S. International Services, Table 1
Aside from Europe, many U.S. services go to markets in Asia and Latin America.

Cross-border Services Exports by Market, 2012

(billions of US dollars)

- EU-27: $199.1
- Non-EU Europe: $40.1
- Other Western Hemisphere: $70.4
  - Brazil: $23.9
  - Mexico: $27.4
  - Canada: $61.2
- Other Asia & Pacific: $58.6
  - Australia: $17.2
  - Korea: $18.1
  - China: $30.0
  - Japan: $46.5

Source: Bureau of Economic Analysis, U.S. International Services, Table 2
U.S. services imports largely come from the United Kingdom, Canada, and Japan

Top 10 Suppliers of U.S. Services Imports (billions of US dollars)

- United Kingdom: $46.3
- Canada: $29.8
- Japan: $26.9
- Bermuda: $25.9
- Germany: $25.7
- Switzerland: $21.1
- China: $13.0
- France: $15.1
- Mexico: $15.1
- India: $18.5

Rest of World: $177.3

Despite an overall trade surplus, the U.S. does have a deficit in services trade with a few major markets:

- Canada: $31.4
- Japan: $19.6
- China: $17.0
- Brazil: $17.0
- Ireland: $16.1
- Hong Kong: -$0.7
- Israel: -$1.1
- Philippines: -$1.2
- India: -$6.6
- Bermuda: -$16.3

Source: Bureau of Economic Analysis, U.S. International Services, Table 2
The European Union accounts for nearly a third of U.S. services exports

- Despite a slowing European economy, U.S. services exports to the European Union grew by 2.3 percent in 2012, compared to the previous year, and the EU is a major market for many services industries.

Royalties and license fees were the top U.S. services export to the EU in 2012

(billions of US dollars)

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Billions of US dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial services</td>
<td>$28.8</td>
</tr>
<tr>
<td>Business, professional, and technical</td>
<td>$56.8</td>
</tr>
<tr>
<td>services</td>
<td>28%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>$3.4</td>
</tr>
<tr>
<td>Education</td>
<td>$2.0</td>
</tr>
<tr>
<td>$0.6</td>
<td>1%</td>
</tr>
<tr>
<td>Other services</td>
<td>$15.3</td>
</tr>
<tr>
<td>Royalties and license fees</td>
<td>$47.9</td>
</tr>
<tr>
<td>Insurance</td>
<td>$3.6</td>
</tr>
<tr>
<td>$28%</td>
<td>2%</td>
</tr>
<tr>
<td>Other transportation</td>
<td>$119.3</td>
</tr>
<tr>
<td>Travel</td>
<td>$31.0</td>
</tr>
<tr>
<td>$16%</td>
<td>16%</td>
</tr>
</tbody>
</table>

The TTIP would encompass nearly $1 trillion in combined MNC activity, most of which is with the United Kingdom

<table>
<thead>
<tr>
<th>Country</th>
<th>Services supplied through affiliates of U.S. companies (exports)</th>
<th>Services supplied through affiliates of EU companies (imports)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>$191.3</td>
<td>$105.1</td>
</tr>
<tr>
<td>Germany</td>
<td>$63.3</td>
<td>$107.7</td>
</tr>
<tr>
<td>France</td>
<td>$48.7</td>
<td>$81.3</td>
</tr>
<tr>
<td>Ireland</td>
<td>$82.0</td>
<td>$18.9</td>
</tr>
<tr>
<td>Netherlands</td>
<td>$51.1</td>
<td>$46.0</td>
</tr>
<tr>
<td>Italy</td>
<td>$27.0</td>
<td>$8.5</td>
</tr>
<tr>
<td>Belgium</td>
<td>$21.4</td>
<td>$9.4</td>
</tr>
<tr>
<td>Spain</td>
<td>$16.6</td>
<td>$11.5</td>
</tr>
<tr>
<td>Sweden</td>
<td>$9.5</td>
<td>$8.9</td>
</tr>
<tr>
<td>Rest of EU</td>
<td>$43.8</td>
<td>$12.6</td>
</tr>
</tbody>
</table>

Source: Bureau of Economic Analysis, U.S. International Services, Tables 3-7
Nations involved in the Trade in Services Agreement (TISA) include several top U.S. services markets. US cross-border services exports have shown strong growth to several TISA markets. Services exports to these markets largely consist of business, professional, and technical services. TISA participants include Australia, Canada, Chile, Taiwan, Colombia, Costa Rica, the European Union, Hong Kong, Iceland, Israel, Japan, Liechtenstein, Mexico, New Zealand, Norway, Pakistan, Panama, Paraguay, Peru, Korea, Switzerland, Turkey, and the United States.