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Title of paper; Currency measurements in multinational corporations; The case of Sweden

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Text of Abstract:

The internationalisation process has led to the fact that Swedish multinational corporations have to handle large currency flows. This is often done by the internal bank or treasury functions and all hedging is usually based on the total net flows within the company.

Most multinational companies use internal budget rates, usually based on a single daily spot rate for one day during the month or quarter. In closing a business deal forward rates are used, and the terms depend on the conditions set in the contract regarding length and payment issues. These terms can thus be very different from the daily exchange rates. As a consequence, it is difficult to set a "correct" underlying daily exchange rate or "customs exchange rate" for every single contract.

According to ESA/ SNA the exchange rate of the transaction date shall be used, but financial transactions, such as forward rates, should be regarded separately. These rules differ from the ones used in foreign trade statistics and the methods that are used in multinational companies. The reasons for statistical discrepancies are partly varying methods for different companies and partly the use of internal methods within the companies based on other terms.

To be able to reach a common accounting method statisticians must increase knowledge of the multinational companies regarding the handling of currency risks. A closer cooperation with the companies should make it easier to understand and assess the statistical material that is delivered. An alternative method could be to measure foreign exchange movements from a general method, based on a monthly average. This method is in line with the multinational companies' way of work, as they usually use a monthly average as internal budget rate. This is also a demanded method by the latest accounting standards.