

Communications

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Swiss balance of payments and international investment position

Q4 2017 and review of the year 2017

Overview

Q4 2017

In the fourth quarter of 2017, the current account surplus amounted to CHF 20 billion, or CHF 2 billion less than the year-back quarter. Lower receipts from investment income resulted in a slight expenses surplus on primary income (labour and investment income), which had shown a receipts surplus in the corresponding quarter of 2016. Moreover, the expenses surplus on secondary income (current transfers) rose. These developments were countered by a higher income surplus in goods trade. The income surplus in services trade was unchanged.

In the fourth quarter, transactions shown in the financial account resulted in a net acquisition on the assets side of the account (CHF 3 billion) and a net incurrence on the liabilities side (CHF 2 billion). On the assets side, a net acquisition was recorded under the other investment item, under direct investment and under reserve assets. By contrast, portfolio investment posted a net reduction in liabilities of CHF 13 billion. On the liabilities side, direct investment recorded a net incurrence. Meanwhile there was a net reduction in portfolio investment and the other investment item. Overall, the financial account, including derivatives, reported a positive balance of CHF 1 billion.

In the international investment position, stocks of financial assets increased by CHF 75 billion to CHF 4,768 billion in the fourth quarter of 2017. This increase was attributable to capital gains from stock market and exchange rate movements. Stocks of liabilities were up by CHF 41 billion to CHF 3,920 billion, also mainly as a result of capital gains from price

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increases on the Swiss stock exchange. Thus, the net international investment position rose by CHF 34 billion to CHF 848 billion.

Review of the year 2017

In 2017, the current account surplus amounted to CHF 66 billion, CHF 4 billion higher than in 2016. The increase was largely attributable to primary income, where the receipts surplus expanded by CHF 5 billion to CHF 9 billion. This was countered by a rise in the expenses surplus for secondary income (current transfers), by CHF 1 billion to CHF 11 billion. In goods trade, the receipts surplus was unchanged at CHF 48 billion. In services trade, too, the receipts surplus remained the same, at CHF 19 billion.

The financial account showed a net acquisition of CHF 50 billion (2016: net acquisition of CHF 148 billion) and a net incurrence of CHF 11 billion (2016: net incurrence of CHF 81 billion). Thus, overall, this account, including derivatives, reported a positive balance of CHF 37 billion (2016: CHF 74 billion). The assets side of the account was dominated by SNB foreign currency purchases, which resulted in high net acquisition of financial assets under reserve assets. The other investment item also recorded high net acquisition, while portfolio investment and direct investment showed a net reduction of financial assets. On the liabilities side of the account, transactions in connection with takeovers had the strongest impact. Non-resident investors acquired majority holdings in domestic companies whose shares had previously been held in free float, both domestically and abroad. As a result, direct investment recorded a net incurrence. By contrast, portfolio investment showed a net reduction, reflecting the sale of shares in free float by the previous investors abroad. The other investment item recorded a net incurrence of liabilities.

In the international investment position, stocks of financial assets increased by CHF 220 billion to CHF 4,768 billion. Apart from the net acquisition of financial assets, capital gains were a decisive factor in this increase. It was above all the strengthening of the euro against the Swiss franc that led to substantial currency gains. In addition, higher prices on foreign stock markets contributed to the increase. Stocks of liabilities rose by CHF 155 billion to CHF 3,920 billion; this growth was largely attributable to capital gains resulting from stock market advances in Switzerland. The net international investment position thus increased by CHF 65 billion to CHF 848 billion in 2017.

A detailed presentation of the annual data will be provided in the *Swiss Balance of Payments and International Investment Position 2017*, to be published on 31 May 2018.

Current account – Q4 2017**Receipts**

At CHF 81 billion, receipts from total goods trade were CHF 2 billion less than in the year-back quarter. The decrease was primarily due to lower receipts from non-monetary gold

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trading, which fell by CHF 8 billion to CHF 17 billion. By contrast, receipts from goods exports according to the foreign trade statistics (total 1) increased by CHF 4 billion to CHF 57 billion, mainly as a result of higher exports of chemical and pharmaceutical products as well as machinery and electronics. Net receipts from merchanting also expanded, by CHF 1 billion to CHF 6 billion.

Receipts from foreign trade in services amounted to CHF 30 billion, down CHF 3 billion on the year-back quarter. This decrease was mainly attributable to licence fees, which had been unusually high in the corresponding quarter of 2016.

At CHF 34 billion, receipts for primary income (labour and investment income) were down by CHF 4 billion on the year-back quarter due to lower income from direct investment abroad. Receipts for secondary income (current transfers) rose by CHF 1 billion to CHF 11 billion.

Expenses

Expenses for total goods trade amounted to CHF 64 billion, a CHF 5 billion reduction from the year-back quarter attributable to the decline in expenses for non-monetary gold trading, which receded by CHF 10 billion to CHF 13 billion. Expenses for goods imports according to the foreign trade statistics (total 1), by contrast, grew by CHF 5 billion to CHF 50 billion. As on the receipts side of the account, chemical and pharmaceutical products as well as machinery and electronics showed the strongest growth.

At CHF 25 billion, expenses for services imports were CHF 2 billion lower than in the year-back quarter. The decline was driven mainly by the 'personal services; cultural and recreational services' category, where expenses had been unusually high in the corresponding quarter of 2016.

Expenses for primary income (labour and investment income) were almost unchanged from the year-back quarter and amounted to CHF 34 billion. Expenses for secondary income (current transfers) rose by CHF 2 billion to CHF 14 billion due to the payment of claims abroad by reinsurance companies.

Net

The current account surplus amounted to CHF 20 billion, which was CHF 2 billion lower than in the year-back quarter. It was calculated as the sum of all receipts (CHF 157 billion) minus the sum of all expenses (CHF 137 billion).

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Financial account – Q4 2017

Net acquisition of financial assets

Overall, the assets side of the financial account registered a net acquisition of CHF 3 billion (Q4 2016: net acquisition of CHF 45 billion). The other investment item saw a net acquisition of CHF 9 billion (Q4 2016: net acquisition of CHF 13 billion). While the SNB and the other sectors category increased their claims abroad, commercial banks in Switzerland reduced their claims in cross-border interbank business. Direct investment saw a net acquisition of CHF 4 billion (Q4 2016: net acquisition of CHF 12 billion). Resident companies granted loans to non-resident group companies. They also reinvested income, while at the same time withdrawing equity capital from subsidiaries abroad. Reserve assets posted a net acquisition of CHF 3 billion (Q4 2016: net acquisition of CHF 21 billion). By contrast, portfolio investment recorded a net reduction of CHF 13 billion (Q4 2016: net reduction of CHF 1 billion). In net terms, resident investors mainly disposed of long-term debt securities and shares issued by non-residents.

Net incurrence of liabilities

Overall, net incurrence of liabilities amounted to CHF 2 billion (Q4 2016: net incurrence of CHF 15 billion). Direct investment recorded a net incurrence of CHF 5 billion (Q4 2016: net incurrence of CHF 8 billion). Non-resident companies granted more loans to their resident subsidiaries. They also reinvested income, while withdrawing equity capital. By contrast, portfolio investment showed a net reduction of CHF 2 billion (Q4 2016: net reduction of CHF 10 billion). Non-resident investors primarily disposed of equity securities issued by residents. The other investment item registered a net reduction of CHF 1 billion (Q4 2016: net incurrence of CHF 18 billion). While resident commercial banks reduced their claims against customers and banks abroad, loan commitments of resident companies with respect to non-residents increased.

Net

The financial account balance came to CHF 1 billion (Q4 2016: CHF 34 billion). This figure is calculated as the sum of all net acquisitions of assets minus the sum of all net incurrences of liabilities plus the balance from derivatives transactions. The financial account balance corresponds to the change in the net investment position resulting from cross-border investment.

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International investment position – Q4 2017

Assets

Stocks of foreign financial assets were up CHF 75 billion on the previous quarter to CHF 4,768 billion. Valuation changes, in particular, were responsible for the increase. Since the major part of assets is held in foreign currencies, it was the strengthening of the euro against the Swiss franc, above all, which led to currency gains. In addition, capital gains arising from higher prices on foreign stock markets contributed to the increase. Stocks of portfolio investment rose by CHF 29 billion to CHF 1,375 billion. Reserve assets grew by CHF 20 billion to CHF 792 billion. Stocks of direct investment were up by CHF 19 billion to CHF 1,659 billion, while those of the other investment item also advanced, by CHF 13 billion to CHF 858 billion. By contrast, stocks of derivatives declined by CHF 5 billion to CHF 83 billion.

Liabilities

Stocks of foreign liabilities were up by CHF 41 billion to CHF 3,920 billion, mainly due to valuation changes resulting from domestic stock market advances. Stocks of portfolio investment rose by CHF 28 billion to CHF 1,175 billion, while those of direct investment increased by CHF 11 billion to CHF 1,452 billion. Stocks of the other investment item advanced by CHF 7 billion to CHF 1,207 billion. By contrast, stocks of derivatives declined by CHF 4 billion to CHF 86 billion.

Net international investment position

Since foreign financial assets climbed more markedly (CHF +75 billion) than foreign liabilities (CHF +41 billion), the net international investment position advanced by CHF 34 billion to CHF 848 billion.

Remarks

The balance of payments (current account and financial account) covers Switzerland's cross-border transactions with other countries over a given period. The international investment position indicates the stocks of Switzerland's foreign financial assets (claims) and liabilities abroad at the end of this period. Changes in assets and liabilities in the international investment position are the result, first, of transactions recorded in the financial account. Second, capital gains and losses resulting from stock market and exchange rate movements, as well as other changes in stocks, have an impact on capital stocks.

In the comments on the balance of payments, period-by-period comparisons of transactions refer to the year-back quarter, since certain items are influenced by seasonal factors (e.g. tourism), especially in the current account. Seasonally adjusted data are not available. By contrast, the period-by-period comparisons in the international investment position refer to

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stocks at the end of the previous quarter. The focus in this case is on changes in stocks over the course of the period under review.

For comprehensive tables covering the balance of payments and the international investment position, cf. the SNB's data portal, data.snb.ch, *Table selection, International economic affairs*.

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SWISS BALANCE OF PAYMENTS – OVERVIEW

In CHF millions

	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4
Current account, net	21,826	12,859	19,690	13,307	19,679
Receipts	164,972	146,233	155,955	152,334	157,172
Expenses	143,146	133,374	136,265	139,027	137,493
Goods and services, net	18,961	14,541	17,534	13,102	22,099
Receipts	116,085	103,723	106,787	105,357	111,579
Expenses	97,123	89,182	89,253	92,256	89,479
Goods, net	13,943	9,224	13,463	8,380	17,279
Receipts	83,390	74,870	77,755	74,597	81,476
Foreign trade of which					
Foreign trade total ¹	80,684	71,506	74,992	69,731	78,747
Non-monetary gold	53,032	55,069	54,602	53,551	57,201
Supplements to foreign trade ²	24,946	13,596	17,933	13,342	17,289
Merchanting	-2,748	-3,014	-2,745	-2,469	-3,290
Expenses	5,454	6,377	5,509	7,335	6,019
Foreign trade of which					
Foreign trade total ¹	69,448	65,646	64,292	66,216	64,197
Non-monetary gold	70,300	66,693	65,178	66,809	65,672
Supplements to foreign trade ²	44,454	44,236	46,554	45,147	49,645
	23,499	19,875	16,195	19,144	13,140
	-852	-1,047	-886	-593	-1,475
Services, net	5,019	5,318	4,071	4,721	4,820
Receipts	32,694	28,853	29,032	30,761	30,103
Expenses	27,676	23,536	24,961	26,040	25,282
Primary income, net	4,339	131	4,470	4,773	-78
Receipts	38,241	31,667	38,397	34,481	34,154
Expenses	33,902	31,536	33,926	29,708	34,232
Labour income, net	-5,941	-5,875	-5,943	-5,990	-5,955
Receipts	615	615	615	615	615
Expenses	6,556	6,490	6,558	6,605	6,571
Investment income, net	10,280	6,006	10,414	10,763	5,877
Receipts	37,626	31,052	37,782	33,866	33,539
Expenses	27,347	25,046	27,368	23,103	27,661
Secondary income, net	-1,475	-1,813	-2,315	-4,568	-2,341
Receipts	10,646	10,844	10,771	12,496	11,440
Expenses	12,121	12,656	13,086	17,063	13,781
Capital account, net	2,673	50	163	553	50
Receipts	2,879	190	298	647	194
Expenses	205	140	135	94	144

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Financial account (excluding derivatives), net	29,936	11,869	27,519	-701	528
Net acquisition of financial assets	44,822	24,432	59,713	-37,120	2,940
Net incurrence of liabilities	14,886	12,563	32,194	-36,419	2,412
Direct investment, net	3,973	-1,619	-59,364	7,135	-1,198
Net acquisition of financial assets	11,647	14,620	-7,972	-27,272	4,007
Net incurrence of liabilities	7,673	16,239	51,392	-34,407	5,205
Portfolio investment, net	9,273	7,399	26,608	-114	-10,867
Net acquisition of financial assets	-1,177	3,729	-492	-2,553	-13,102
Net incurrence of liabilities	-10,450	-3,670	-27,100	-2,439	-2,235
Other investment, net	-4,348	-29,537	41,251	-11,493	9,655
Net acquisition of financial assets	13,315	-29,543	49,153	-11,066	9,097
Net incurrence of liabilities	17,662	-6	7,902	427	-558
Reserve assets, net	21,038	35,626	19,025	3,772	2,938
Derivatives, net	3,634	-244	-2,228	-246	386
Statistical difference	9,071	-1,285	5,439	-14,808	-18,815

¹ Foreign trade according to Federal Customs Administration (FCA).

² Additions: Unchecked goods trade, small consignments, goods procured in ports. Subtractions: Cross-border processing traffic, returned goods, CIF/FOB adjustment on imports.

SWITZERLAND'S INTERNATIONAL INVESTMENT POSITION – OVERVIEW

In CHF millions

	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4
Assets	4,547,699	4,561,350	4,584,534	4,692,412	4,767,833
Direct investment	1,615,802	1,617,621	1,626,268	1,639,814	1,658,817
Portfolio investment	1,283,590	1,310,201	1,301,320	1,346,625	1,375,495
Derivatives	113,021	89,576	89,505	88,561	83,499
Other investment	844,789	813,137	828,291	845,330	857,893
Reserve assets	690,497	730,815	739,149	772,082	792,129
Liabilities	3,764,847	3,798,284	3,848,710	3,879,011	3,920,217
Direct investment	1,400,988	1,402,758	1,465,339	1,441,421	1,451,962
Portfolio investment	1,062,345	1,122,861	1,113,909	1,147,408	1,175,000
Derivatives	112,242	89,870	89,039	90,247	86,210
Other investment	1,189,272	1,182,796	1,180,423	1,199,935	1,207,045
Net international investment position	782,852	763,066	735,824	813,401	847,616
Direct investment	214,814	214,863	160,930	198,393	206,855
Portfolio investment	221,246	187,340	187,411	199,216	200,495
Derivatives	779	-294	467	-1,685	-2,711
Other investment	-344,483	-369,659	-352,132	-354,605	-349,153
Reserve assets	690,497	730,815	739,149	772,082	792,129