

Switzerland's international investment position in 2003

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Overview

At CHF 587 billion, Switzerland's net international investment position in 2003 almost equalled that of the previous year (CHF 586 billion). Foreign assets increased by CHF 88 billion to CHF 2,183 billion and foreign liabilities by CHF 87 billion to CHF 1,595 billion. In a year-on-year comparison, the net investment position's share of GDP remained unchanged at 136%. In 1985, when the international investment position was first compiled, this share amounted to 95%.

The increase in foreign assets was largely attributable to Swiss capital outflows of CHF 75 billion. In addition, valuation changes amounting to CHF 13 billion were recorded. Valuation losses caused by the weaker dollar were more than sufficiently offset by price gains on foreign shares and on the stronger euro.

Valuation gains totalling CHF 57 billion contributed significantly to the rise in foreign liabilities. The higher Swiss share prices and the exchange rate gains on euro investments played a decisive role in this regard. Capital inflows led to an increase of CHF 30 billion in foreign liabilities.

Thus, the change in the net investment position consisted of net capital outflows amounting to CHF 45 billion and valuation changes totalling CHF -44 billion on balance. The net investment position was therefore only marginally higher than the previous year.

Switzerland's international investment position

Table 1

Position at year-end	1985	1990	1995	2000	2002 ^r	2003 ^p	Change from previous year in percent
Foreign assets in CHF billions	527.8	733.0	989.8	2 231.7	2 094.6	2 182.7	4.2
Foreign liabilities in CHF billions	298.1	450.7	640.2	1 711.2	1 508.6	1 595.5	5.8
Net investment position in CHF billions	229.7	282.3	349.5	520.5	586.0	587.2	0.2
Assets in % of GDP	218.1	223.7	265.9	537.1	485.9	503.7	3.7
Liabilities in % of GDP	123.2	137.6	172.0	411.8	350.0	368.2	5.2
Net in % of GDP	94.9	86.2	93.9	125.3	135.9	135.5	-0.3

Changes in the international investment position in 2003 in CHF billions

Table 2

Position at year-end	Total 2002 ^r	Investment ¹ 2003 ^p Increase: +	Valuation changes ² 2003 ^p Increase: +	Total 2003 ^p
Foreign assets	2 094.6	75.1	13.0	2 182.7
Foreign liabilities	1 508.6	29.9	57.0	1 595.5
Net investment position	586.0	45.2	-43.9	587.2

1 Investment in accordance with the financial account in the balance of payments; capital outflows result in an increase in foreign assets and capital inflows in an increase in foreign liabilities.

2 Exchange rate-induced and market price-induced valuation changes, as well as statistical changes.

r revised
p provisional

International investment position and balance of payments

The international investment position is closely interrelated with the balance of payments. It reflects the level of foreign assets and liabilities at a given point in time. In the balance of payments, capital flows (investments) are shown during a specified period. Capital outflows (Swiss investment abroad) lead to an increase in foreign assets, while capital inflows (foreign investment in Switzerland) bring about an increase in foreign liabilities. If Switzerland makes more investments abroad than vice versa, i.e. if its transactions result in a net capital outflow, the net international investment position increases. In this case, the corresponding balance in the current account shows a surplus.

However, the development of the international investment position is not only determined by investment, but by other factors as well. In particular, the positions reflect fluctuations in exchange rates and precious metal prices, as well as changes in stock prices.

Composition and valuation of the international investment position

The international investment position indicates the level of Switzerland's financial assets and liabilities abroad. The net position denotes the balance of these assets and liabilities. The international investment position comprises portfolio investment, direct investment, the National Bank's international reserves, as well as other financial assets and liabilities. Direct investment includes equity capital and loans to subsidiaries. Portfolio investment includes shares, investment fund certificates, bonds and money market paper. Bank lending makes up the bulk of the other financial assets and liabilities of residents vis-à-vis other countries.

The positions at the end of the year are generally stated at market prices. Direct investment positions are an exception. They are shown at book value. Since 2000, the National Bank's gold holdings have also been stated at market value. Previously, the official parity value of CHF 4,596 per kilogram of gold was applied.

Switzerland's international investment position is compiled in accordance with IMF guidelines.

Foreign assets

Foreign assets comprise direct investment, portfolio investment, the National Bank's international reserves, as well as other foreign assets.

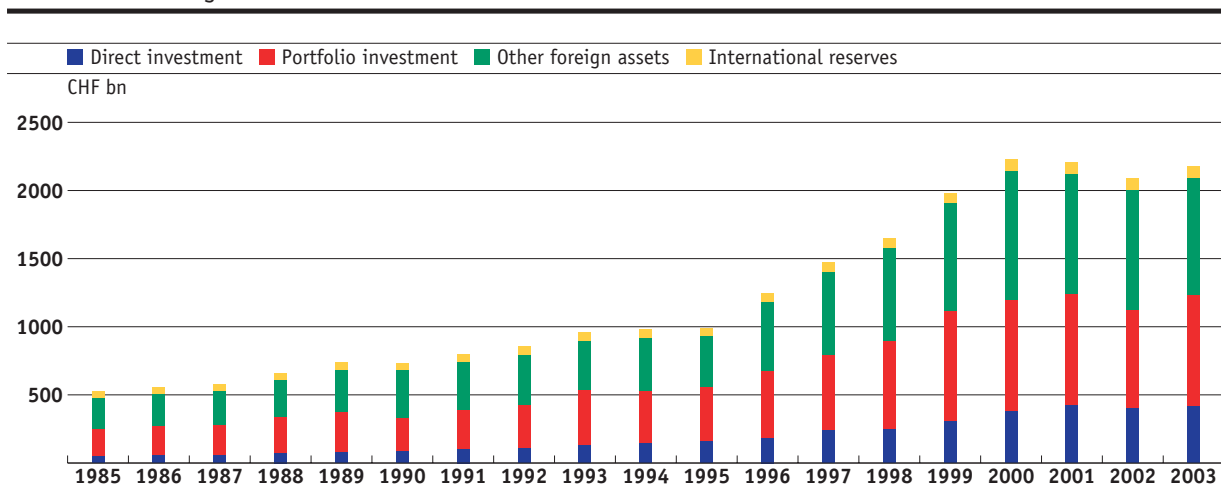
In 2003, total direct investment abroad grew by CHF 17 billion to CHF 424 billion, thus almost returning to the 2001 level, after having declined in 2002. Investments made abroad by Swiss companies in 2003 contributed decisively to this rise. On balance, the valuation changes made very little difference, as the opposing euro and dollar movements offset each other.

Portfolio positions rose by CHF 91 billion to CHF 813 billion. At CHF 60 billion, the increase in equity securities was particularly pronounced – a development that was primarily attributable to the higher stock market valuation of foreign shares, and only marginally to investments. Debt securities mounted by CHF 31 billion to CHF 450 billion. This rise was solely ascribable to the investments made in 2003.

The National Bank's international reserves climbed by CHF 1 billion to CHF 86 billion and the foreign exchange position topped the year-earlier level by CHF 3 billion. Gold holdings, by contrast, receded by CHF 2 billion, owing to the National Bank's gold sales.

The volume of other foreign assets – mainly banks' foreign assets – diminished by CHF 21 billion to CHF 859 billion. Following a change in the reporting methods of banks on the claims on foreign subsidiaries, interbank claims were lower than a year earlier. Fiduciary assets, consisting of short-term investments in the money market, declined by CHF 13 billion to CHF 64 billion. Given the low money market rates, investors reduced the fiduciary investments partly in favour of more long-term debt securities.

Graph 1
Switzerland's foreign assets



Switzerland's foreign assets
in CHF billions¹

Table 3

Total at year-end	1985	1990	1995	2000	2002 ^r	2003 ^p	Change from previous year in percent	Percentage share of total
Direct investment²	52.1	85.6	163.9	381.9	406.8	423.7	4.2	19.4
Equity capital	42.7	73.0	141.5	339.5	367.6	387.7	5.5	17.8
Loans	9.4	12.7	22.4	42.4	39.2	36.0	-8.3	1.6
Portfolio investment	200.5	248.1	399.3	820.7	722.1	813.3	12.6	37.3
Debt securities	152.2	194.2	260.6	385.5	419.3	450.1	7.3	20.6
<i>Bonds</i>	150.2	191.7	257.6	373.3	389.4	414.9	6.5	19.0
<i>Money market paper³</i>	2.0	2.6	2.9	12.3	29.9	35.2	17.9	1.6
Equity securities	48.3	53.9	138.7	435.1	302.8	363.2	20.0	16.6
<i>Shares</i>	48.3	53.9	138.7	306.7	184.5	224.8	21.8	10.3
<i>Investment funds</i>	na	na	na	128.4	118.2	138.4	17.1	6.3
Other foreign assets without international reserves	225.2	350.0	370.6	941.3	880.3	859.3	-2.4	39.4
of which								
<i>commercial bank lending⁴</i>	155.4	172.3	210.5	676.4	646.1	628.7	-2.7	28.8
<i>corporate lending⁵</i>	24.6	40.3	64.3	109.7	126.3	125.0	-1.0	5.7
<i>government lending</i>	1.4	1.5	1.1	0.8	0.5	0.5	-2.4	0.0
<i>fiduciary investments</i>	43.8	92.5	64.5	103.2	76.5	64.0	-16.4	2.9
International reserves	50.0	49.2	56.0	87.9	85.4	86.4	1.2	4.0
Gold ⁶	11.9	11.9	11.9	34.7	29.3	27.1	-7.5	1.2
Foreign exchange	36.8	37.2	41.8	50.5	52.9	56.3	6.4	2.6
Other currency reserves	1.4	0.1	2.3	2.7	3.1	2.9	-5.0	0.1
Total	527.8	733.0	989.8	2 231.7	2 094.6	2 182.7	4.2	100.0

1 Differences in totals are due to rounding of figures.

2 Swiss equity holdings of 10% or more in companies abroad, claims and liabilities (net) vis-à-vis subsidiaries abroad, as well as net assets of branches abroad.

3 Until 1997, only money market paper held by banks.

4 Domestic bank offices.

5 Excluding loans to subsidiaries, which are included in direct investment.

r = revised

p = provisional

na = not available

Foreign liabilities

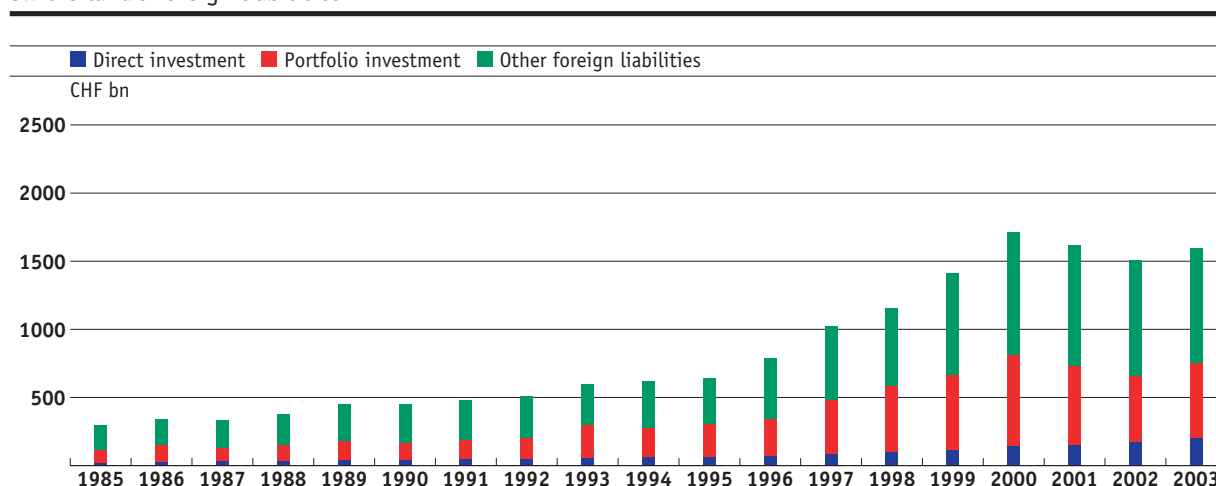
Foreign liabilities are divided into foreign direct investment positions, portfolio positions and other foreign liabilities.

The stock of foreign direct investment in Switzerland grew by CHF 27 billion to CHF 200 billion in 2003. Equity capital accounted for CHF 19 billion of this rise and loans for CHF 8 billion. Loans thus reached a new peak. In recent years, foreign direct investment positions in Switzerland exhibited an above-average growth rate that was due in particular to acquisitions. The proportion of direct investment in foreign liabilities rose from 11.5% in the previous year to 12.5% in 2003.

Swiss securities held by non-residents advanced markedly by CHF 71 billion to CHF 557 billion. Equity securities increased by CHF 61 billion to CHF 498 billion. This sharp rise was due in large part to the higher stock market valuation. Debt securities grew by CHF 10 billion to CHF 59 billion. This was as a direct result of investments made in 2003. The valuation changes stemming from stock market and exchange rate developments led, however, to a slight decrease.

Other foreign liabilities – primarily liabilities of banks – declined by CHF 10 billion to CHF 839 billion as a result of the lower valuation of dollar holdings.

Graph 2
Switzerland's foreign liabilities



Switzerland's foreign liabilities
in CHF billions¹

Table 4

Total at year-end	1985	1990	1995	2000	2002 ^r	2003 ^p	Change from previous year in percent	Percentage share of total
Direct investment²	21.0	44.4	65.7	142.1	173.1	200.2	15.6	12.5
Equity capital	20.6	44.9	64.9	139.6	169.2	187.9	11.1	11.8
Loans	0.4	-0.6	0.7	2.5	3.9	12.2	212.1	0.8
Portfolio investment	99.5	121.5	240.0	673.3	486.2	556.8	14.5	34.9
Debt securities	11.4	19.2	33.7	48.1	49.1	58.8	19.6	3.7
<i>Bonds</i>	11.4	19.2	33.7	47.2	47.8	57.7	20.6	3.6
<i>Money market paper</i>	na	na	na	0.9	1.3	1.1	-14.9	0.1
Equity securities	88.1	102.3	206.3	625.2	437.0	498.0	14.0	31.2
<i>Shares</i>	72.4	80.2	171.2	547.5	374.9	431.8	15.2	27.1
<i>Investment fund certificates</i>	15.7	22.1	35.1	77.7	62.2	66.2	6.4	4.1
Other foreign liabilities	177.7	284.8	334.6	895.8	849.3	838.5	-1.3	52.6
of which								
<i>loans to commercial banks³</i>	123.5	172.2	207.5	690.9	647.9	639.3	-1.3	40.1
<i>loans to companies⁴</i>	18.5	27.9	52.5	89.8	101.0	105.0	3.9	6.6
<i>loans to government</i>	na	0.1	0.7	0.7	0.9	0.6	-32.7	0.0
<i>loans to the National Bank</i>	0.1	0.1	0.0	0.6	0.7	0.6	-8.8	0.0
Total	298.1	450.7	640.2	1 711.2	1 508.6	1 595.5	5.8	100.0

1 Differences in totals are due to rounding of figures.

2 Foreign equity holdings of 10% or more in companies in Switzerland, claims and liabilities (net) vis-à-vis subsidiaries in Switzerland, as well as net assets of branches in Switzerland.

3 Domestic bank offices.

4 Excluding loans to subsidiaries, which are included in direct investment.

r = revised

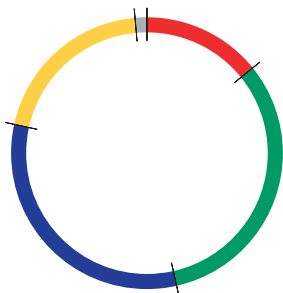
p = provisional
na = not available

Composition of foreign assets and liabilities by currency (incl. precious metals)

The share of foreign assets invested in Swiss francs contracted by one percentage point to 14% in 2003. The euro-denominated proportion expanded from 29% in the previous year to 32% in 2003 – this was particularly due to its higher valuation. Owing to the low rate of exchange, the dollar's share, by contrast, decreased from 34% to 32%.

The proportion of Swiss franc-denominated foreign liabilities climbed from 50% to 53% in 2003. This was largely as a result of the higher securities investments and direct investment positions held in Swiss francs. The euro's share of foreign liabilities climbed from 15% to 17%, while the dollar's share dropped significantly from 27% to 23%.

Graph 3

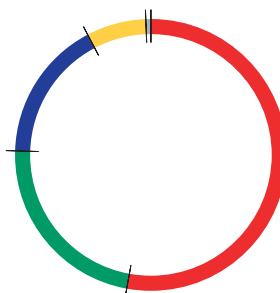


Foreign assets in 2003
Composition by currency
(incl. precious metals) in %

CHF	14.2
USD	32.3
EUR	31.9
Other currencies	20.2
Precious metals	1.4

Total: 2183 CHF bn

Graph 4



Foreign liabilities in 2003
Composition by currency
(incl. precious metals) in %

CHF	52.8
USD	22.6
EUR	16.8
Other currencies	7.1
Precious metals	0.6

Total: 1595 CHF bn

**Composition of foreign assets by currency (incl. precious metals)
in CHF billions¹**

Table 5

Total at year-end	1999	2000	2001	2002 ^r	2003 ^p	Change from previous year in percent	Percentage share of total
Direct investment							
CHF	10.0	4.7	9.4	9.3	1.2	-87.5	0.3
USD	71.4	94.3	101.1	82.4	91.3	10.8	21.5
EUR	99.4	116.5	122.5	123.3	124.9	1.3	29.5
Other currencies	130.4	166.4	192.3	191.8	206.4	7.6	48.7
Total	311.3	381.9	425.3	406.8	423.7	4.2	100.0
Portfolio investment							
CHF	180.4	178.8	188.0	184.3	209.3	13.6	25.7
USD	235.3	244.5	249.3	200.5	207.1	3.3	25.5
EUR	236.2	269.1	283.3	270.2	312.9	15.8	38.5
Other currencies	155.3	128.2	99.6	67.1	84.0	25.3	10.3
Total	807.3	820.7	820.2	722.1	813.3	12.6	100.0
Other foreign assets (without international reserves)							
CHF	101.1	114.0	123.1	127.6	102.1	-20.0	11.9
USD	342.0	386.3	354.0	394.9	385.5	-2.4	44.9
EUR	157.0	187.9	183.8	192.6	227.6	18.2	26.5
Other currencies	186.3	249.2	215.4	159.2	140.1	-12.0	16.3
Precious metals	7.1	3.7	5.1	6.0	4.1	-31.4	0.5
Total	793.5	941.3	881.4	880.3	859.3	-2.4	100.0
International reserves							
CHF	-	-	-	-	-	-	-
USD	29.2	20.5	20.8	20.8	20.4	-1.7	23.6
EUR	20.1	22.3	23.2	26.0	29.3	12.9	34.0
Other currencies	9.1	10.4	10.1	9.3	9.5	2.2	11.0
Precious metals ²	11.9	34.7	33.0	29.3	27.1	-7.5	31.4
Total	70.3	87.9	87.1	85.4	86.4	1.2	100.0
Total foreign assets							
CHF	291.5	297.5	320.4	321.2	312.5	-2.7	14.3
USD	678.0	745.6	725.1	698.5	704.2	0.8	32.3
EUR	512.7	595.8	612.9	612.0	694.7	13.5	31.8
Other currencies	481.1	554.3	517.4	427.4	440.0	2.9	20.2
Precious metals	19.0	38.5	38.1	35.4	31.3	-11.6	1.4
Total	1982.3	2231.7	2213.9	2094.6	2182.7	4.2	100.0

1 Differences in totals are due to rounding of figures.

r = revised
p = provisional

2 Since 2000, gold holdings have been stated at market value.

Composition of foreign liabilities by currency (incl. precious metals)
in CHF billions¹

Table 6

Total at year-end	1999	2000	2001	2002 ^r	2003 ^p	Change from previous year in percent	Percentage share of total
Direct investment							
CHF	120.8	144.1	150.0	171.3	195.0	13.9	97.4
USD	0.8	-0.5	0.6	1.6	4.8	200.7	2.4
EUR	-0.1	-1.2	-1.5	-0.3	0.4	-241.7	0.2
Other currencies	0.0	-0.3	-0.2	-0.5	-0.1	-112.8	0.0
Total	121.6	142.1	148.8	173.1	200.2	15.6	100.0
Portfolio investment							
CHF	460.7	592.8	508.2	415.3	481.6	16.0	86.5
USD	28.3	27.2	30.9	27.7	30.1	8.8	5.4
EUR	35.7	37.1	35.7	33.9	36.1	6.4	6.5
Other currencies	18.3	16.3	11.9	9.2	9.0	-2.6	1.6
Total	543.0	673.3	586.6	486.2	556.8	14.5	100.0
Other foreign liabilities							
CHF	170.8	174.7	185.7	172.4	166.3	-3.6	19.8
USD	308.7	352.6	374.5	373.2	326.1	-12.6	38.9
EUR	121.5	136.9	163.8	182.2	231.9	27.3	27.7
Other currencies	133.9	222.0	147.8	112.0	104.8	-6.4	12.5
Precious metals	11.0	9.5	10.7	9.5	9.4	-1.7	1.1
Total	745.9	895.8	882.5	849.3	838.5	-1.3	100.0
Total foreign liabilities							
CHF	752.4	911.6	843.9	759.0	842.9	11.1	52.8
USD	337.8	379.3	406.0	402.5	361.0	-10.3	22.6
EUR	157.1	172.7	198.0	215.8	268.4	24.4	16.8
Other currencies	152.3	238.0	159.5	121.5	113.7	-6.6	7.1
Precious metals	11.0	9.5	10.7	9.5	9.4	-1.7	0.6
Total	1410.5	1711.2	1618.0	1508.6	1595.5	5.8	100.0

¹ Differences in totals are due to rounding of figures.

r = revised
p = provisional

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