

# The Swiss balance of payments in 1999

Press release of 24 August 2000

## Current account surplus reaches new peak

Switzerland's current account surplus rose by Sfr 7.5 billion to Sfr 45 billion in 1999. Due to the smaller deficit in the goods traffic and higher investment income the surplus expanded substantially. In relation to GDP it amounted to 11.6% in 1999 (previous year: 9.8%).

In terms of value, exports and imports of goods increased more markedly in 1999 than a year earlier, with growth accelerating significantly in the course of the year in the wake of the economic recovery in Switzerland and abroad. The trade balance (special trade) closed with a surplus for the seventh time in succession. At Sfr 1 billion, this surplus, however, was only half as large as in the year before.

The service trade witnessed a similar development as in 1998. Exports of services rose by 5.6%. It was mostly the banks that contributed to this growth, but also private insurance companies and the aviation companies. Imports of services topped the previous year's figure by 10.2%.

Earnings from Swiss investment abroad increased considerably. Notably interest and dividend income from portfolio investment as well as earnings from direct investment abroad rose distinctly owing to the higher amounts invested and as a result of the economic upswing.

## Massive increase in capital flows

Booming financial markets and the launch of the European single currency euro characterised Switzerland's cross-border flows. The volume of capital flows expanded perceptibly.

Domestic investors increased their securities purchases abroad by a striking Sfr 48.8 billion to Sfr 70.4 billion. Cross-border credit business of the banks also witnessed vigorous expansion. Capital outflows almost doubled to Sfr 116.3 billion. Direct investment abroad likewise picked up markedly from Sfr 24.1 billion to Sfr 51.9 billion in 1999 due largely to higher investments in the United States and the EU.

The rise in foreign direct investment in Switzerland by Sfr 3.5 billion to Sfr 13.9 billion was mostly the result of acquisitions. By contrast, foreign portfolio investment in Switzerland receded due to the marked decline in investment in Swiss equities in the year under review. Capital imports by the banks mounted from Sfr 49.3 billion in the previous year to Sfr 143.5 billion in 1999. The deficit of the financial account widened by Sfr 16.5 billion to Sfr 58.4 billion.

The National Bank's international reserves rose by Sfr 1.3 billion in 1999 due mainly to the exchange rate-induced higher valuation of foreign exchange holdings.

A detailed commentary on Switzerland's balance of payments is published together with the Monthly Statistical Bulletin of the Swiss National Bank at the end of September and will also appear as a supplement to the "Magazin für Wirtschaftspolitik" 10/2000 at the beginning of October. The commentary on the Swiss balance of payments can also be accessed on the Internet.

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## Detailed information on individual positions

### Current account

#### *Goods traffic*

In 1999 the growth rates for exports and imports of goods slightly exceeded the previous year's level due to the acceleration of growth in the second half of the year. Nominal exports exhibited a double-digit growth rate in the last quarter of 1999 after still having stagnated in the first half-year. Imports, too, rose by a little over ten percent in the final quarter following a no more than modest increase in the first two quarters. In terms of value, exports (without precious metals, precious stones and gems as well as objets d'art and antiques) increased by an average 4.9% to Sfr 114.4 billion, while imports grew by 6.1% to Sfr 113.4 billion.

#### *Services*

Earnings from tourism only rose slightly - to Sfr 11.7 billion - in 1999. Despite the improved price/performance ratio in Swiss tourism and the continuing economic recovery in Europe, the extreme weather conditions at the beginning

of the year put a damper on bookings from abroad. The number of overnight stays accounted for by foreign visitors declined by approximately one percent.

Expenditures of residents for personal and business travel abroad rose by approximately 5% to Sfr 10.4 billion. The number of overnight stays increased by 3.1%. The price levels in the destinations visited exceeded the previous year's level by 1.5%. The surplus from travel declined by Sfr 0.3 billion to Sfr 1.4 billion.

The other service providers, which account for approximately two-thirds of exports of services and about half of the imports, all exhibited strong growth of trade in services. Earnings from merchanting topped the year-earlier level by one-quarter. Receipts from international transportation of persons increased by approximately one-tenth due to the positive development of the world economy. In the field of postal and telecommunication services, earnings likewise again rose vigorously despite falling prices. Due to higher earnings from securities and investment business receipts from financial services of the banks saw growth of 20%. Income from technological services, however, which include earnings from licenses and patents as well as technical consulting, decreased due largely to reduced earnings from licenses and patents.

#### *Investment income*

Income from Swiss investment abroad rose by 11.5% to Sfr 72 billion in 1999. Income from direct investment and portfolio investment increased in the wake of the economic recovery and as a result of large-scale investment abroad by more than 20%. In addition, the firming of the US dollar had a favourable effect on earnings from US dollar investments. Other investment income exhibited an interest-induced decline from the previous year's level. Expenditure relating to foreign investment in Switzerland mounted by 3% to Sfr 33.6 billion. Expenditure in connection with foreign securities portfolios increased by 26.8% due mainly to higher dividend payments. Expenditure relating to direct investment in Switzerland surpassed the year-earlier level by 6.4%. Other investment income remitted abroad, by contrast, declined by 14.7%. The surplus from investment expanded by Sfr 6.4 billion to Sfr 38.4 billion.

### **Financial account**

#### *Direct investment*

In 1999 direct investment abroad mounted by Sfr 27.7 billion to Sfr 51.9 billion. Industrial enterprises augmented their investment by Sfr 4 billion to Sfr 10.6 billion. The increase was due to a decisive extent to higher investment by the chemical industry and the capital exports of the electronic, energy, optical and watchmaking sector, which had decreased its capital abroad in the previous year. In the service sector, which accounted for four-fifths of direct investment, the outflow of funds expanded by Sfr 23.7 billion to Sfr 41.3 billion. Finance and holding companies increased their foreign investment by Sfr 3.8 billion to Sfr 10.4 billion. Due to acquisitions and the restructuring of foreign subsidiaries the banks recorded capital exports totalling Sfr 10.1 billion. In 1999, even more so than a year earlier, a regional focus of Swiss direct investment were the EU and North America. Close to three-quarters of the funds flowed into this area.

Foreign direct investment in Switzerland rose by Sfr 3.5 billion to Sfr 13.9 billion in 1999. A number of major acquisitions were again also made in the industrial sector, nevertheless 90% of all direct investment funds were channelled into the service sector. Particularly striking was the inflow of funds to the amount of Sfr 4.9 billion witnessed by the insurance industry (previous year Sfr 1.2 billion). Takeovers in the transport and communications sector led to capital imports of Sfr 1.9 billion. Prior to this result, direct investment flows had been insignificant in this field. Finance and holding companies recorded capital imports totalling Sfr 3.7 billion, Sfr 1.8 billion lower than in the previous period. Enterprises from EU countries contributed Sfr 9.7 billion to capital imports. The United States accounted for Sfr 5.4 billion. Japanese investors again withdrew capital in 1999.

#### *Portfolio investment*

Swiss portfolio investment abroad soared from Sfr 21.6 billion to Sfr 70.4 billion within the space of a year. This figure includes the acquisition of money market paper by bank customers - on which data has been collected for the first time - to the amount of Sfr 3.3 billion. In the category debt instruments (bonds and money market paper), which represented two-thirds of all acquisitions, investors gave preference to the euro, the US dollar and the Swiss franc. In the case of equity securities (shares and investment funds) investments in the US dollar, the yen and the euro predominated.

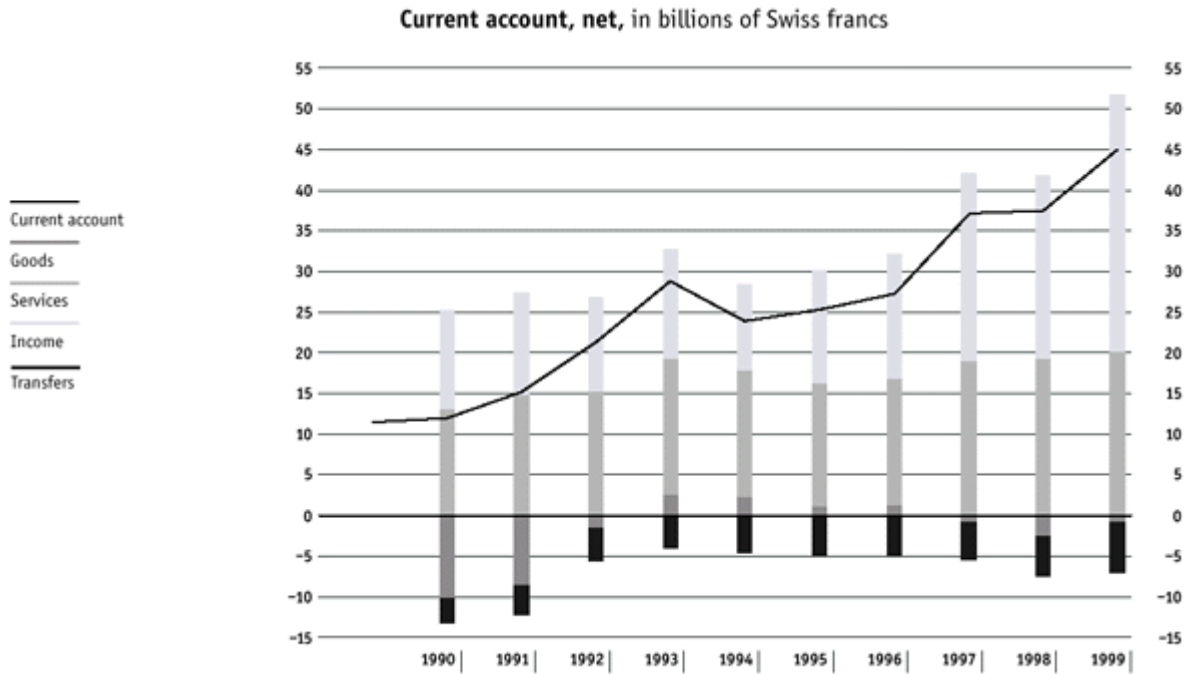
Foreign portfolio investment in Switzerland receded from Sfr 14.9 billion in 1998 to Sfr 8.9 billion in 1999; notably share purchases declined markedly. By contrast, investment funds recorded larger inflows of funds from abroad, which, however, did not compensate for the steep fall in equity acquisitions. Broken down by currency, 18% of foreign investment was accounted for by Swiss franc securities; 29% of foreign investment in Swiss securities was denominated in the euro, and 25% in the US dollar.

#### *Financial flows of banks*

The outflow of funds recorded by domestic bank offices rose by Sfr 50.4 billion to Sfr 116.3 billion. The inflow of funds increased even more markedly, i.e. from Sfr 49.3 billion in the previous year to Sfr 143.5 billion in 1999. The banks' net capital imports amounted to Sfr 27.2 billion. A year earlier they had recorded net capital exports totalling Sfr 16.7 billion. As in the previous years, the banks' flows of funds were, for the most part, due to interbank business, which, in 1999, accounted for approximately 90% of the total volume.

### International reserves

The National Bank's foreign reserves, which consist mainly of gold holdings, foreign exchange and the reserve position in the International Monetary Fund (IMF), rose by Sfr 1.3 billion in 1999. Foreign exchange holdings increased by Sfr 1.8 billion; this expansion is largely due to the exchange rate-induced higher valuation of foreign exchange holdings.



## Overview Swiss balance of payments<sup>1</sup> in billions of Swiss francs\*

	1995	1996	1997	1998 revised	1999 provisional
<b>Current account</b>					
<b>Goods</b>					
Special trade exports	92,0	94,2	105,1	109,1	114,4
Special trade imports	-90,8	-92,0	-103,1	-106,9	-113,4
Special trade net	1,2	2,2	2,0	2,2	1,0
Other trade net	-0,2	-1,1	-2,5	-4,6	-1,5
<b>Services</b>					
Services exports	30,8	32,4	36,7	38,8	40,9
Services imports	-15,6	-17,1	-17,8	-19,2	-21,1
Services net	15,2	15,4	18,9	19,6	19,8
<b>Labour income</b>					
Receipts	1,5	1,5	1,5	1,6	1,6
Expenses	-8,3	-8,4	-8,1	-8,0	-8,1
Net	-6,8	-6,9	-6,5	-6,4	-6,5
<b>Investment income</b>					
Receipts	35,8	39,3	49,3	64,6	72,0
Expenses	-15,0	-16,8	-19,4	-32,6	-33,6
Net	20,8	22,4	30,0	32,0	38,4
<b>Current transfers</b>					
Net	-5,0	-4,9	-4,9	-5,3	-6,2
<b>Current account net</b>	25,2	27,2	37,0	37,5	45,0
<b>Capital transfers</b>					
Net	-0,2	-0,2	-0,1	-0,4	-0,6
<b>Financial account</b>					
<b>Direct investment</b>					
Swiss investment abroad	-14,4	-20,0	-25,7	-24,1	-51,9
Foreign investment in Switzerland	2,6	3,8	9,6	10,4	13,9
Net	-11,8	-16,2	-16,1	-13,7	-38,0
<b>Portfolio investment</b>					
Swiss portfolio investment abroad	-10,5	-28,1	-28,6	-21,6	-70,4
Debt securities	-5,7	-9,9	-15,4	-17,9	-44,1
Equity securities	-4,8	-18,2	-13,3	-3,7	-26,3
Foreign portfolio investment in Switzerland	5,9	15,9	13,1	14,9	8,9
Debt securities	-1,1	1,5	3,0	2,3	0,6
Equity securities	6,9	14,4	10,1	12,5	8,2
Net	-4,6	-12,2	-15,5	-6,7	-61,5
<b>Banks</b>					
Claims abroad	-11,1	-74,1	-76,0	-66,0	-116,3
Claims on banks	-13,0	-71,5	-68,3	-61,1	-106,4
Other claims	1,8	-2,5	-7,7	-4,8	-9,9
Liabilities abroad	1,9	60,7	74,8	49,3	143,5
Liabilities vis-à-vis banks	-1,5	51,7	64,5	39,2	134,4
Other liabilities	3,4	9,0	10,3	10,1	9,1
Net	-9,2	-13,3	-1,2	-16,7	27,2

<b>Other investment</b>					
Net	10,9	6,6	-1,4	-4,8	13,9
<b>Financial account excluding international reserves</b>					
	-14,8	-35,0	-34,3	-41,9	-58,4
<b>International reserves</b>					
Change in foreign assets	3,7	-7,8	-4,9	-0,2	-1,3
Change in foreign liabilities	0,0	0,0	0,0	0,1	0,1
Counterpart to valuation changes	-3,5	4,4	1,8	-0,9	4,1
<b>Net errors and omissions</b>					
	-10,3	11,4	0,6	5,8	11,1

1 A minus sign indicates a surplus of imports over exports in the current account, and the export of capital in the financial account.  
In net holdings of reserves the minus sign indicates an increase in reserves.

\* Differences in totals due to the rounding of figures.

## Components of the current account in 1998 and 1999 in billions of Swiss francs<sup>1</sup>

Components	1998 r			1999 p			Percentage change	
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit
<b>A. Merchandise</b>	<b>118,3</b>	<b>120,7</b>	<b>-2,3</b>	<b>125,1</b>	<b>125,5</b>	<b>-0,4</b>	<b>5,7</b>	<b>4,0</b>
Special trade	109,1	106,9	2,2	114,4	113,4	1,0	4,9	6,1
Electrical energy	2,0	1,3	0,7	2,1	1,5	0,6	2,3	8,7
Other goods	7,2	12,5	-5,3	8,6	10,6	-2,1	18,8	-14,7
<b>B. Services</b>	<b>38,8</b>	<b>19,2</b>	<b>19,6</b>	<b>40,9</b>	<b>21,1</b>	<b>19,8</b>	<b>5,6</b>	<b>10,2</b>
Tourism	11,6	9,9	1,7	11,7	10,4	1,4	1,2	4,9
Private insurance	2,3	0,1	2,2	2,8	0,1	2,7	24,0	25,0
Merchandising	1,0	-	1,0	1,3	-	1,3	25,7	-
Transportation	4,3	2,8	1,5	4,6	2,8	1,8	8,0	0,4
Postal services and telecommunications	0,9	1,1	-0,2	1,3	1,3	-0,0	39,4	13,0%
Other services	18,6	5,3	13,4	19,1	6,6	12,6	2,7	24,4
<i>Bank commissions</i>	<i>10,0</i>	<i>0,7</i>	<i>9,2</i>	<i>12,0</i>	<i>0,8</i>	<i>11,1</i>	<i>20,1</i>	<i>15,4</i>
<i>Technological services</i>	<i>4,3</i>	<i>1,9</i>	<i>2,4</i>	<i>2,3</i>	<i>2,9</i>	<i>-0,6</i>	<i>-47,2</i>	<i>50,2</i>
<i>Other services</i>	<i>4,3</i>	<i>2,6</i>	<i>1,7</i>	<i>4,9</i>	<i>2,8</i>	<i>2,1</i>	<i>12,7</i>	<i>7,6</i>
<b>C. Labour income and investment income</b>	<b>66,2</b>	<b>40,7</b>	<b>25,5</b>	<b>73,6</b>	<b>41,7</b>	<b>31,9</b>	<b>11,2</b>	<b>2,6</b>
Labour income	1,6	8,0	-6,4	1,6	8,1	-6,5	1,3	1,0
Investment income	64,6	32,6	32,0	72,0	33,6	38,4	11,5	3,0
<b>External contribution to GNP (A+B+C)</b>	<b>223,3</b>	<b>180,5</b>	<b>42,8</b>	<b>239,6</b>	<b>188,3</b>	<b>51,2</b>	<b>7,3</b>	<b>4,3</b>
<b>D. Current transfers</b>	<b>4,0</b>	<b>9,3</b>	<b>-5,3</b>	<b>4,2</b>	<b>10,4</b>	<b>-6,2</b>	<b>2,9</b>	<b>11,7</b>
Private transfers	0,4	3,4	-3,0	0,4	4,3	-3,9	0,1	25,7
Public transfers	3,6	5,9	-2,3	3,8	6,1	-2,3	3,3	3,5
<b>Total (A+B+C+D)</b>	<b>227,3</b>	<b>189,8</b>	<b>37,5</b>	<b>243,7</b>	<b>198,7</b>	<b>45,0</b>	<b>7,2</b>	<b>4,7</b>

<sup>1</sup> Differences in the totals due to the rounding of figures.

r Revised

p Provisional

## Foreign direct investment in Switzerland: breakdown by country

	1995	1996	1997	1998 revised	1999 provisional
<b>Capital imports<sup>1</sup></b> in millions of Swiss francs					
<b>1. Industrial countries</b>	<b>2599</b>	<b>3790</b>	<b>9629</b>	<b>9230</b>	<b>13737</b>
<b>EU</b>	<b>2509</b>	<b>2233</b>	<b>5927</b>	<b>5878</b>	<b>9725</b>
of which					
Belgium	23	70	-4	-50	243
Denmark	0	9	21	27	-43
Germany	441	1308	2871	2708	3184
France	-33	571	571	-393	161
Italy	-65	-807	111	1584	316
Luxembourg	179	317	1682	505	427
Netherlands	1884	381	498	1612	-340
Austria	30	1	68	38	21
Sweden	374	337	165	75	1
Spain	7	10	18	-113	475
United Kingdom <sup>2</sup>	126	-170	-161	-118	5244
<b>EFTA</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>3</b>
<b>Other European countries</b>	<b>42</b>	<b>36</b>	<b>24</b>	<b>12</b>	<b>24</b>
of which					
Turkey	12	30	2	22	23
<b>North America</b>	<b>363</b>	<b>1476</b>	<b>3778</b>	<b>3723</b>	<b>5447</b>
Canada	16	-50	-46	-55	30
United States	346	1526	3824	3778	5417
<b>Other industrial countries</b>	<b>-315</b>	<b>45</b>	<b>-101</b>	<b>-383</b>	<b>-1462</b>
of which					
Japan	-315	-15	-326	-457	-1507
<b>2. NICs</b>	<b>16</b>	<b>21</b>	<b>-65</b>	<b>-10</b>	<b>-11</b>
<b>3. Developing countries</b>	<b>14</b>	<b>-6</b>	<b>67</b>	<b>1211</b>	<b>158</b>
<b>Africa</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>3</b>
<b>Asia</b>	<b>41</b>	<b>-42</b>	<b>32</b>	<b>-47</b>	<b>44</b>
of which					
Israel	36	-46	18	36	36
<b>Latin America (inkl. Caribbean)</b>	<b>-29</b>	<b>34</b>	<b>33</b>	<b>1255</b>	<b>112</b>
<b>All countries</b>	<b>2629</b>	<b>3805</b>	<b>9631</b>	<b>10430</b>	<b>13884</b>

1 The minus sign (-) signifies an outflow of capital from Switzerland (disinvestment).

2 Incl. Guernsey, Jersey and the Isle of Man

## Swiss direct investment abroad: breakdown by country

	1995	1996	1997	1998 revised	1999 provisional
<b>Capital exports<sup>1</sup></b> in millions of Swiss francs					
<b>1. Industrial countries</b>	<b>14007</b>	<b>17500</b>	<b>21765</b>	<b>16153</b>	<b>40574</b>
<b>EU</b>	<b>6210</b>	<b>12522</b>	<b>12596</b>	<b>10218</b>	<b>22666</b>
Belgium	1042	488	-655	429	1325
Denmark	21	49	30	-31	267
Germany	1171	2629	4131	880	5439
Finland	56	137	152	224	110
France	127	338	213	333	1736
Greece	79	109	116	205	4
Ireland	324	342	317	-54	3363
Italy	424	769	1134	-197	-73
Luxembourg	200	192	-959	1651	585
Netherlands	1143	-193	2752	999	1893
Austria	89	-252	343	344	479
Portugal	27	91	311	-69	557
Sweden	85	539	632	844	-437
Spain	572	118	35	377	-1000
United Kingdom <sup>2</sup>	851	7170	4043	4283	8418
<b>EFTA</b>	<b>41</b>	<b>54</b>	<b>181</b>	<b>-93</b>	<b>349</b>
<b>Central and Eastern Europe</b>	<b>901</b>	<b>361</b>	<b>215</b>	<b>1175</b>	<b>1135</b>
of which					
Croatia	4	5	4	70	-44
Poland	236	113	173	208	469
Russian Federation	37	100	46	335	598
Czech Republic	573	61	-19	356	-70
Hungary	31	62	-35	-76	83
<b>Other European countries</b>	<b>121</b>	<b>49</b>	<b>314</b>	<b>-449</b>	<b>652</b>
of which					
Turkey	96	0	51	296	5
<b>North America</b>	<b>5978</b>	<b>3709</b>	<b>8058</b>	<b>4457</b>	<b>14871</b>
Canada	-166	335	368	1232	19
United States	6144	3373	7690	3225	14852
<b>Other industrial countries</b>	<b>756</b>	<b>806</b>	<b>402</b>	<b>845</b>	<b>901</b>
Japan	-35	305	-203	124	662
South Africa	151	93	154	138	180
Australia	609	401	153	572	273
New Zealand	31	7	298	11	-214



	1995	1996	1997	1998 revised	1999 provisional
<b>Capital exports<sup>1</sup></b> in millions of Swiss francs					
<b>2. NICs</b>	<b>-55</b>	<b>1406</b>	<b>2176</b>	<b>5203</b>	<b>6042</b>
<b>Latin America</b>	<b>186</b>	<b>260</b>	<b>-207</b>	<b>1243</b>	<b>1266</b>
Argentina	28	65	-10	321	-110
Brazil	127	-10	-338	446	804
Chile	35	83	29	-178	24
Mexico	-3	121	111	654	547
<b>Asia</b>	<b>-242</b>	<b>1146</b>	<b>2383</b>	<b>3960</b>	<b>4776</b>
Hong Kong	-547	21	236	447	646
Korea (South)	19	66	-57	283	179
Malaysia	17	233	82	102	307
Philippines	-8	39	50	1169	57
Singapore	175	542	1879	1444	3611
Taiwan	61	22	45	121	59
Thailand	41	224	148	395	-82
<b>3. Developing countries</b>	<b>487</b>	<b>1057</b>	<b>1793</b>	<b>2752</b>	<b>5240</b>
<b>Latin America (inkl. Caribbean)</b>	<b>2</b>	<b>-267</b>	<b>935</b>	<b>2209</b>	<b>4876</b>
of which					
Costa Rica	45	10	-1	-26	0
Ecuador	11	80	27	10	20
Guatemala	4	-176	60	-4	22
Colombia	7	82	34	387	115
Panama	83	131	365	355	-149
Peru	19	-9	158	-25	47
Uruguay	92	172	217	284	287
Venezuela	-5	121	97	61	11
<b>Africa</b>	<b>25</b>	<b>90</b>	<b>230</b>	<b>102</b>	<b>295</b>
of which					
Egypt	34	18	92	57	89
Ivory Coast	6	17	16	51	-19
Morocco	8	19	32	-12	1
Nigeria	-2	1	-9	5	-6
<b>Asia</b>	<b>459</b>	<b>1234</b>	<b>629</b>	<b>441</b>	<b>69</b>
of which					
China (People's Republic)	342	378	255	123	-101
India	13	370	160	29	-52
Indonesia	46	177	134	90	55
Lebanon	9	8	2	-2	-13
Pakistan	23	22	34	-17	2
Saudi Arabia	4	3	43	-2	60
United Arab Emirates	3	3	12	11	20
<b>All countries</b>	<b>14438</b>	<b>19964</b>	<b>25734</b>	<b>24107</b>	<b>51856</b>

1 The minus sign (-) signifies return flow of capital into Switzerland (disinvestment).

2 Incl. Guernsey, Jersey and the Isle of Man