Swiss Balance of Payments
Swiss National Bank
Swiss Balance of Payments 2000
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Overview

The favourable economic situation and the vigorous development of cross-border investment characterised the balance of payments in 2000. The current account surplus rose by Sfr 10 billion to Sfr 53 billion. In relation to nominal gross domestic product, the share of the surplus mounted from 11% in 1999 to 13% in 2000. This increase is due mainly to higher net income from foreign investment.

Nominal goods exports and imports (special trade without precious metals, precious stones and gems as well as objets d’art and antiques) expanded by more than one-tenth in 2000. Notably as a result of higher oil prices, the balance of trade exhibited a deficit of Sfr 2 billion after having recorded a surplus of Sfr 1 billion in the previous year. The overall deficit in the goods trade amounted to Sfr 4 billion. In the previous year, the trade in goods had been almost balanced.

Exports of services increased by 13% to Sfr 46 billion. Notably tourism and the banks contributed to this growth. Services imports rose by one-tenth to Sfr 23 billion due to higher expenses for tourism as well as for transportation. At Sfr 19 billion, the surplus of exports (goods and services) in 2000 fell short of the previous year’s level by Sfr 1 billion.

Investment income on Swiss assets abroad rose by approximately 40%. Just under half of the rise is attributable to the gross accounting procedure applied by the banks, which had previously recorded net earnings. Due to higher assets and the favourable economic situation, transferred income from direct investment increased markedly. Dividend earnings from portfolio investment also moved up vigorously. Earnings on foreign investment in Switzerland likewise clearly exceeded the previous year’s level. Dividend payments on securities investment and income on direct investment rose significantly. Due to a new accounting method applied by UBS, the banks’ interest business exhibited double the income and expenditures. Net interest continued to decline from the year-earlier level. The surplus from the investment income account rose, compared with the previous year, by Sfr 10 billion to Sfr 48 billion in 2000.

Financial flows again exhibited extremely dynamic development in 2000, with the renewed vigorous rise in direct investment and the large volume of lending business of the banks being particularly salient features. Swiss direct investment abroad rose from Sfr 54 billion in 1999 to Sfr 70 billion in 2000. Of decisive importance for this were large-scale takeovers by banks, insurance companies and the chemical industry. Foreign direct investment in Switzerland, too, was markedly higher than in the previous year, especially as a result of acquisitions in manufacturing.

Portfolio investment abroad amounted to Sfr 38 billion in 2000. A year earlier, an extraordinarily high figure (Sfr 70 billion) had been recorded in connection with the introduction of the euro. The decline is due to the fact that the banks sold foreign securities on a large scale in 2000 after having invested heavily in foreign securities a year earlier. Moreover, the other sectors acquired considerably smaller volumes of foreign securities in 2000 than in 1999. Foreign portfolio investment in Switzerland soared from Sfr 9 billion to Sfr 18 billion due to expanding investment in shares.

The banks’ foreign lending business again exhibited substantial capital flows in 2000. Most of these were accounted for by interbank business, which led to inflows of funds totalling Sfr 36 billion on balance (previous year: Sfr 28 billion). Lending and deposit business with customers was also noteworthy in 2000, resulting in a net capital export of Sfr 25 billion (previous year: Sfr 1 billion).
## Overview Swiss Balance of Payments

*In billions of Swiss francs*

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### IV. Net errors and omissions

|                          | 11.4 | 0.6  | 7.3  | 11.4 | -7.9 |

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1. A minus sign (−) indicates a surplus of imports over exports in the current account, and the export of capital in the other positions.
2. Intragroup lending is shown under direct investment.
3. Since 2000, flows have been shown in conformity with the current guidelines of the IMF. Until 1999, changes in holdings were shown according to the old standard. This required a counterentry for non-transaction-induced changes in foreign positions.
4. Differences in aggregates, i.e. totals and sums of components, due to the rounding of figures.

n/a: no data available
Current account

In 2000, the current account balance rose to Sfr 53 billion from the previous year’s level of Sfr 44 billion. The vigorous expansion was due mainly to higher net investment income. Net earnings on Swiss investment abroad mounted by Sfr 10 billion to Sfr 48 billion, with transferred earnings from direct investment exhibiting the strongest increase. Both services exports and imports grew by more than 10% in 2000. The surplus from services amounted to Sfr 23 billion versus Sfr 20 billion in 1999. Exports of goods expanded by approximately 15%

Current account, net  in billions of Swiss francs

Structure of receipts and expenses of the current account

Graph 1

Graph 2
in terms of value, while imports rose by as much as 18%. This resulted in a trade
deficit in goods of Sfr 4 billion whereas the trade in goods had been almost
balanced in the previous year.

2 Current account 1991–2000

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<td>304.3</td>
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Goods trade

Nominal goods exports and imports (special trade without precious metals, precious stones and gems as well as objets d’art and antiques) expanded by 11% and 13% respectively in 2000. Real growth rates were about 7% in both directions. Due to the higher oil price and the strong dollar, average import prices rose by 6%, i.e. almost double the rate of export prices. The trade balance closed with a deficit of Sfr 2 billion after having exhibited a surplus of Sfr 1 billion in the previous year.

The upswing in exports was broadly based across all sectors. Exports of the machinery and electronics industry, the most important export sector, of the metal industry and the watchmaking industry recorded above-average increases. The chemical industry, by contrast, the second-largest export sector, only added 6% to its exports.

As in the previous year, exports to the United States, the second most important market, exhibited a particularly strong increase of 13%. Exports to the EU – at approximately 7% – fell short of the average growth rate; the major trading partner, Germany, only accounted for a mere 6% rise in goods exports. Increases totaling more than 20% were recorded by exports to the transition and emerging economies.

As to imports, energy sources exhibited the highest growth rates (79%) in terms of value in the wake of significantly higher oil prices. Imports of machinery, equipment, electronics and metals grew by almost 18%, while imports of chemicals increased at the average rate of total imports. The imports of vehicles rose only by 3%.

More goods were imported from all EU countries except France; the overall increase amounted to 11%. Imports from the United States expanded by more than one-quarter, partly due to the higher dollar exchange rate. At over 30%, imports from emerging economies and developing countries also grew vigorously.

In the electrical energy sector, exports fell short of the previous year’s level by 6% in terms of value. This development was due to the stagnating export volume and declining prices. The larger volume of electrical energy imports was mainly compensated by falling prices, thus resulting in a slight increase only.

Other goods trade includes mainly precious metals, precious stones and gems as well as objets d’art and antiques, returned goods as well as unchecked goods trade and processing of goods for foreign account. As from 2000, gross values will be shown for processing of goods for foreign account (see statistical changes); the net amount, however, can be compared with previous years. The strong expansion of exports and imports was attributable to trade in precious metals, precious stones and gems. The deficit in other goods trade – at just under Sfr 3 billion – slightly exceeded the previous year’s level.
3 Goods

### Special trade\(^1\)

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### Electrical energy

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### Other goods\(^2\)

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### Total

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---

1. Without trade in precious metals, precious stones and gems as well as objets d’art and antiques, which are included in other goods.
2. As from 2000, gross values will be shown for commission processing included in other goods.

---

Foreign trade 2000 by economic area

**Exports of goods**
- **EU 77**
- **United States 7**
- **Other industrial countries 4**
- **Other 12**

**Imports of goods**
- **EU 80**
- **United States 12**
- **Other industrial countries 6**
- **Other 22**
Services

Foreign earnings from tourism rose by 10% to Sfr 13 billion in 2000. Due to the improved income situation abroad, the number of overnight stays in hotels and health resort hotels accounted for by foreign visitors increased by 7%. Significantly more tourists than in the previous year came from European countries, while the strong US dollar induced a larger number of persons from the United States (+16%) to visit Switzerland. Earnings from supplementary accommodation (holiday flats, etc.) were the only ones to show below-average development of a mere 2%. Day tours and transit travel also saw vigorous growth of approximately 15%.

Residents’ expenditures for personal and business travel abroad amounted to Sfr 11 billion, exceeding the previous year’s level by 6%. The increase was due to the 2% rise in overnight stays as well as to higher prices. Moreover, as a result of the Swiss franc’s weakness, foreign travel became more expensive. Since earnings grew much more markedly than expenditures, the surplus from travel expanded to Sfr 2 billion (previous year: Sfr 1.6 billion).

Exports of services by private insurance companies fell short of the year-earlier level by approximately 15% due to the decline in income from reinsurance services. In the wake of the renewed upswing in world trade and of high oil prices, earnings from merchanting increased once more. Due to the strong growth in foreign travel and in world trade, receipts from international transportation, which derive mainly from air travel, mounted by approximately one-sixth. Expenditures related to international transportation grew at almost the same rate, i.e. by 13%. Postal and telecommunications services likewise saw very dynamic development, with both earnings and expenditures expanding by 18% each.

Receipts from financial services of the banks recorded strong growth due to higher earnings from securities trading and investment business. Income from technological services, which comprises earnings from licenses and patents, as well as technical consulting, increased by 15% to Sfr 3 billion due to higher income from licenses and patents.

Total earnings from services exports amounted to Sfr 46 billion, topping the previous year’s level by 13%, while expenditures increased by one-tenth to Sfr 23 billion. This resulted in a service account surplus of Sfr 23 billion compared with Sfr 20 billion a year earlier.
### Services

|                          | 1994   | 1997   | 1998   | 1999   | 2000   | Changes against previous year
|--------------------------|--------|--------|--------|--------|--------|-------------------------------
|                          | millions of Swiss francs | millions of Swiss francs | millions of Swiss francs | millions of Swiss francs | millions of Swiss francs | percent                       |
| **Tourism total**        |        |        |        |        |        |                               |
| Receipts                 | 10989  | 11531  | 11586  | 11767  | 12993  | 10.4                           |
| Expenses                 | 9425   | 10141  | 9879   | 10175  | 10808  | 6.2                            |
| Net                      | 1564   | 1390   | 1707   | 1592   | 2185   |                               |
| **Business and personal travel** |        |        |        |        |        |                               |
| Receipts                 | 7750   | 8020   | 8158   | 8338   | 9136   | 9.6                            |
| Expenses                 | 7825   | 8549   | 8421   | 8698   | 9298   | 6.9                            |
| Net                      | -175   | -529   | -263   | -360   | -162   |                               |
| **Same-day and transit travel** |        |        |        |        |        |                               |
| Receipts                 | 1997   | 2196   | 2263   | 2329   | 2680   | 15.1                           |
| Expenses                 | 974    | 1033   | 1061   | 1079   | 1102   | 3.0                            |
| Net                      | 1023   | 1162   | 1213   | 1259   | 1578   |                               |
| **Other tourism**        |        |        |        |        |        |                               |
| Receipts                 | 459    | 559    | 413    | 341    | 369    | 8.2                            |
| Expenses                 | 509    | 541    | 390    | 390    | 390    | 0.0                            |
| Net                      | -50    | 18     | 23     | -49    | -21    |                               |
| **Consumption expenditure of border workers** |        |        |        |        |        |                               |
| Receipts                 | 783    | 757    | 751    | 759    | 808    | 6.5                            |
| Expenses                 | 17     | 17     | 17     | 17     | 18     | 4.7                            |
| Net                      | 766    | 740    | 734    | 742    | 790    |                               |
| **Private insurance**    |        |        |        |        |        |                               |
| Receipts                 | 1769   | 2070   | 2277   | 2852   | 2415   | -15.3                          |
| Expenses                 | 49     | 49     | 100    | 125    | 125    | 0.0                            |
| Net                      | 1720   | 2021   | 2177   | 2727   | 2290   |                               |
| **Merchanting**          |        |        |        |        |        |                               |
| Receipts                 | 1051   | 1418   | 1047   | 1362   | 1439   | 5.7                            |
| **Transportation total** |        |        |        |        |        |                               |
| Receipts                 | 4870   | 5979   | 6300   | 6623   | 7664   | 15.7                           |
| Expenses                 | 4882   | 4832   | 5084   | 5259   | 5940   | 13.4                           |
| Net                      | 188    | 1247   | 1216   | 1384   | 1724   |                               |
| **Passengers**           |        |        |        |        |        |                               |
| Receipts                 | 2334   | 3035   | 3185   | 3450   | 3952   | 14.6                           |
| Expenses                 | 2841   | 2841   | 2812   | 2824   | 3284   | 16.3                           |
| Net                      | -350   | 195    | 373    | 626    | 668    |                               |
| **Freight**              |        |        |        |        |        |                               |
| Receipts                 | 2263   | 1051   | 1121   | 1082   | 1361   | 25.8                           |
| Expenses                 | 2271   | 2271   | 2415   | 2655   | 9.9    |                               |
| Net                      | -185   | 101    | -277   | -324   | -304   |                               |
| **Other**                |        |        |        |        |        |                               |
| Service Type                      | Receipts      | Expenses   | Net        | Receipts     | Expenses   | Net        | Changes against previous year | \%  
|----------------------------------|---------------|------------|------------|--------------|------------|------------|-------------------------------|-----
| **Postal, courier and telecommunications services** |               |            |            |              |            |            |                               |     
| Receipts                        | 638           | 709        | 903        | 1259         | 1485       |           | 18.0                          |     
| Expenses                        | 898           | 989        | 1123       | 1269         | 1495       |           | 17.8                          |     
| Net                             | −260          | −280       | −220       | −11          | −11        |           |                               |     
| **Other services total\(^1\)** | 13128         | 15013      | 16643      | 17006        | 20362      | 3356      | 19.7                          | 13.9 
| Receipts                        | 2030          | 1976       | 2995       | 4074         | 4642       |           |                               |     
| Expenses                        | 11098         | 13037      | 13647      | 12932        | 15720      |           |                               |     
| **Financial services**          |               |            |            |              |            |            |                               |     
| Receipts                        | 7796          | 8816       | 9975       | 11978        | 14607      | 1322      | 56.4                          |     
| Expenses                        | n/a           | n/a        | 733        | 865          | 1322       |           |                               |     
| Net                             | 7796          | 8816       | 9242       | 13132        | 15928      |           |                               |     
| **Technological services**      |               |            |            |              |            |            |                               |     
| Receipts                        | 3341          | 4072       | 4328       | 2287         | 2639       |           | 15.4                          |     
| Expenses                        | 1768          | 1662       | 1940       | 2914         | 2966       |           |                               |     
| Net                             | 1573          | 2410       | 2388       | −627         | −327       |           |                               |     
| **Other services**              |               |            |            |              |            |            |                               |     
| Receipts                        | 1991          | 2325       | 2340       | 2742         | 3136       |           | 13.6                          |     
| Expenses                        | 262           | 334        | 323        | 315          | 354        |           |                               |     
| Net                             | 1729          | 1811       | 2017       | 2427         | 2762       |           |                               |     
| **Total**                       | 32445         | 36719      | 38755      | 40868        | 46358      |           | 13.4                          |     
| Expenses                        | 17084         | 17786      | 19181      | 20882        | 23010      |           |                               |     
| Net                             | 15361         | 18933      | 19574      | 19986        | 23348      |           |                               |     

\(^1\) Other transportation relating to air and rail transportation is no longer shown under other services but under transportation.

\(^2\) The expenses for transportation of freight are for the most part included in the imports of goods.

\(n/a\) no data available
Labour income and investment income

Labour income from abroad, which increased slightly to Sfr 1.7 billion, consists mainly of the gross salaries of persons employed by international organisations in Switzerland. The international organisations active in Switzerland as well as diplomatic and consular missions of other countries are considered to be extraterritorial areas with nonresident status. Employees’ remuneration to other countries, which comprises mainly salaries and wages paid to foreign cross-border staff, rose by 7% to Sfr 8.6 billion mainly due to higher employment levels.

In the investment income account both receipts from abroad and expenses abroad increased by approximately half. Net earnings climbed steeply from Sfr 38 billion in 1999 to Sfr 48 billion in 2000.

Income from portfolio investment abroad moved up significantly in 2000 due mainly to higher dividend payments, while interest income also continued to mount. The higher earnings, however, were partly diminished by price losses on securities not shown in the current account. Earnings from Swiss direct investment abroad expanded by 26% to Sfr 44 billion in 2000. At the same time, transferred earnings in the form of interest and dividends grew vigorously by 64% to Sfr 27 billion, while reinvested earnings (retained profits) declined. This development resulted from the strong rise in Swiss direct investment and the favourable economic situation abroad. Both the income and expenses from the banks’ interest business with foreign banks and customers witnessed extraordinary growth of over 100%. This result derived mainly from interest earnings on claims vis-à-vis banks and from interest payments on liabilities vis-à-vis banks respectively. A large part of this growth, however, is attributable to a new accounting method of UBS. The banks’ net interest income from other countries at Sfr 1.3 billion again fell below the previous year’s level (Sfr 1.9 billion). Earnings from fiduciary investment rose markedly due to larger holdings and higher short-term interest rates. The National Bank’s investment income of Sfr 2.7 billion, however, slipped slightly below the year-earlier level. Interest and dividend payments on foreign portfolio investment in Switzerland exceeded the previous year’s level by 21%. Higher assets and larger dividend payments contributed to this growth. Remittances to foreign direct investors increased by 2% to Sfr 15 billion in 2000. Transferred earnings also topped the previous year’s level whereas reinvested profits declined.
## Labour income and investment income

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<thead>
<tr>
<th>Year</th>
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<th>Investment Income</th>
<th>Other Investment</th>
<th>Total</th>
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<td>Receipts</td>
<td>Receipts</td>
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<tr>
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</table>

### Labour income
- Receipts: 40784 millions of Swiss francs
- Expenses: 25914 millions of Swiss francs
- Net: 14870 millions of Swiss francs

### Investment income total
- Receipts: 39276 millions of Swiss francs
- Expenses: 22442 millions of Swiss francs
- Net: 16834 millions of Swiss francs

#### Portfolio investment
- Receipts: 14295 millions of Swiss francs
- Expenses: 4872 millions of Swiss francs
- Net: 9423 millions of Swiss francs

#### Direct investment
- Receipts: 9765 millions of Swiss francs
- Expenses: 2930 millions of Swiss francs
- Net: 6835 millions of Swiss francs

#### Other investment
- Receipts: 15216 millions of Swiss francs
- Expenses: 9032 millions of Swiss francs
- Net: 6184 millions of Swiss francs

#### of which banks' interest business
- Receipts: 11647 millions of Swiss francs
- Expenses: 8898 millions of Swiss francs
- Net: 2749 millions of Swiss francs

### Total
- Receipts: 40784 millions of Swiss francs
- Expenses: 25914 millions of Swiss francs
- Net: 14870 millions of Swiss francs
Current transfers

At Sfr 10 billion, current transfers from abroad equalled those of the previous year in 2000. Although private transfers diminished by approximately 8%, the decline was offset by higher state revenue (taxes and fees from other countries).

Transfers abroad declined by 6% to Sfr 17 billion, with private transfers falling below the previous year’s level due to lower claims payments by private insurance companies. Transfers by foreign labour resident in Switzerland (persons with permanent residence and annual work permits, and seasonal workers), however, increased slightly. Public-sector payments totalled Sfr 6.3 billion, slightly exceeding the previous year’s level. They comprise, on the one hand, mainly social security transfers in the form of pension and welfare payments as well as refunds of contributions to other countries. On the other hand, public-sector payments include state expenditure for foreign financial aid in the field of technical cooperation as well as remittances to international organisations.
### 6 Current transfers

<table>
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<td>millions of Swiss francs</td>
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</tbody>
</table>

1 Since 1999, private transfers have also included premiums earned from abroad, without service charges and claims payable abroad by private domestic insurance companies.
Financial account

Financial flows between Switzerland and other countries again exhibited very vigorous development in 2000. Higher financial flows of the banks were the main factor for the increased turnover. Acquisition activity of enterprises led to strong growth in direct investment abroad. Swiss portfolio investment abroad was lower in 2000 than in the previous year when investment in securities had reached extraordinarily high proportions. Capital imports were above last year’s figures, both in the case of direct investment and investment in securities. The National Bank reduced its international reserves by selling predominantly securities.

Approximately one-fifth each of the financial flows were processed in euros and in dollars. Compared with the previous year, the share of these two currencies decreased by approximately half. At 12%, the proportion of the Swiss franc was approximately the same as in 1999. Other currencies accounted for roughly 40% of the capital transactions. The deficit in the financial account fell by Sfr 12 billion to Sfr 43 billion.
Direct investment

Capital exports for direct investment abroad mounted by Sfr 16 billion to Sfr 70 billion. Sfr 54 billion flowed abroad to acquire stakes in affiliates (previous year: Sfr 28 billion). Significantly higher acquisitions by the banks were the main reason for this result. Retained profits of subsidiaries abroad (reinvested earnings), which are also classed as direct investment flows, fell by Sfr 1 billion to Sfr 17 billion. While reinvested earnings of the chemical industry, banks and insurance companies continued to expand, the trade, transportation as well as finance and holding companies registered a decline. Developments in intra-group lending resulted in capital imports of Sfr 1 billion, following capital exports totalling Sfr 8 billion in the previous year.

Capital exports by the industrial sector augmented by Sfr 11 billion to Sfr 21 billion in 2000. This increase was due to higher investment by the chemical sector. In the service sector, the banks stand out. As a result of acquisitions in the United States, capital exports increased by Sfr 21 billion to Sfr 31 billion. Direct investment in the insurance sector mounted by Sfr 3 billion to Sfr 13 billion. At Sfr 3 billion, capital exports of foreign-controlled finance and holding companies, however, were substantially below the previous year’s level of Sfr 11 billion. In the trade sector, taking out loans from subsidiaries abroad resulted in capital imports of Sfr 1 billion (previous year: Sfr 3 billion in capital export).

Also in 2000, the largest share of direct investment capital flowed into the European Union, the United States and to the financial centres in Central and South America. Overall investment in the EU area remained virtually stable at Sfr 24 billion. Substantially more capital was channelled into Great Britain, Belgium and the Netherlands, while the flow of capital to Ireland receded. Vis-à-vis Germany, there was even a reflux of capital totalling Sfr 2 billion, following capital exports of Sfr 6 billion in the previous year. This was primarily due to the reduction in stakes by a foreign-controlled holding company. Capital exports to the United States grew by Sfr 18 billion to Sfr 33 billion in 2000. Capital flows to the offshore financial centres in Central and South America expanded by Sfr 5 billion to Sfr 9 billion.

Capital imports for direct investment in Switzerland rose by Sfr 12 billion to Sfr 29 billion in 2000. Sfr 18 billion flowed to Switzerland to acquire stakes in affiliates (previous year: Sfr 7 billion). Reinvested earnings remained virtually unchanged (Sfr 9 billion). Intra-group lending accounted for capital imports totalling Sfr 3 billion, following Sfr 1 billion in the previous period.

Foreign direct investment in the Swiss industrial sector mounted by Sfr 9 billion to Sfr 13 billion. This was mainly due to the takeover of a large company of the metal industry by a Canadian investor and an acquisition as part of the restructuring of the chemical industry. Investment in the service sector went up by Sfr 3 billion to Sfr 17 billion. Capital channelled into transportation and communications, banks and trade was above the previous year’s level. Capital flows to the insurance sector, however, receded.

Capital imports from North America mounted by Sfr 12 billion to Sfr 20 billion. The inflow of funds from the EU countries, by contrast, fell by Sfr 2 billion to Sfr 8 billion. Lower capital imports resulted in particular vis-à-vis Great Britain and Germany whereas more capital was imported from Luxembourg and Italy.
Net capital export resulting from the flow of funds for direct investment abroad and direct investment in Switzerland augmented by Sfr 4 billion to Sfr 41 billion in 2000.
## 7.1 Swiss direct investment abroad: breakdown by economic activity

The breakdown by sectors and by economic activity refers to the company’s core business in Switzerland.

### Capital exports in millions of Swiss francs

<table>
<thead>
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<th></th>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
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<td><strong>Manufacturing</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Textiles and clothing</td>
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<td>623</td>
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1. The minus sign (–) indicates a return flow of capital into Switzerland (disinvestment).
2. An enterprise is considered to be a foreign-controlled enterprise if a majority share of its capital is in foreign hands.
7.2 Swiss direct investment abroad: breakdown by country

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1. The minus sign (−) indicates a return flow of capital into Switzerland (disinvestment).
2. Incl. Guernsey, Jersey and the Isle of Man.
3. According to geonomenclature Eurostat: Bahamas, Barbados, Bermudas, British Virgin Islands, Jamaica, Cayman Islands, Montserrat, Netherlands Antilles, Panama, St. Kitts-Nevis.
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8.1 Foreign direct investment in Switzerland: breakdown by economic activity¹

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¹ The breakdown by sectors and by economic activity refers to the company’s core business in Switzerland.
² The minus sign (–) indicates an outflow of capital from Switzerland (disinvestment).
³ Until 1997 included in “Other services”.

8.1.1 Foreign direct investment in Switzerland: breakdown by country ¹

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¹ The breakdown by sectors and by economic activity refers to the company’s core business in Switzerland.
² The minus sign (–) indicates an outflow of capital from Switzerland (disinvestment).
³ Until 1997 included in “Other services”.
8.2 Foreign direct investment in Switzerland: breakdown by country

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<td>–52</td>
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<td>–457</td>
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<td>1211</td>
<td>158</td>
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<td>of which</td>
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<td>36</td>
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<td>12963</td>
<td>17110</td>
<td>29182</td>
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</table>

1. The minus sign (–) indicates an outflow of capital from Switzerland (disinvestment).
2. Inc. Guernsey, Jersey and the Isle of Man.
Portfolio investment

In 2000, international financial markets exhibited a weaker trend than in the previous year. At year-end, share prices on most stock exchanges were significantly lower than a year ago. Net borrowing in the form of international securities issues did not reach last year's high level. With the exception of the yen, interest rates on the major currencies declined during the course of the year. On an annual average, however, they were higher than in the previous year. At year-end, the trade-weighted external value of the Swiss franc was above the previous year's figure. On an annual average, however, it declined somewhat compared with last year's level.

Share prices on the Swiss stock exchange – unlike those on the foreign exchanges – rose again in 2000. Net borrowing in the form of domestic bond issues and shares rose by almost half to Sfr 17 billion. Net borrowing in the form of foreign bond issues in Switzerland fell from Sfr 35 billion in the previous year to Sfr 29 billion in 2000. At Sfr 17 billion net, sales of Swiss investment fund certificates were slightly below last year's volume. By contrast, foreign investment funds active in Switzerland, which sell the paper mostly to foreign clients, recorded a marked increase in sales from Sfr 48 billion to Sfr 71 billion.

Swiss portfolio investment abroad amounted to Sfr 38 billion in 2000. While this is half of the extremely high figure of the previous year, when the launch of the euro had led to massive securities purchases, on a longer view, it is still well above the average of the past few years. In both years together (1999 and 2000), Switzerland invested more than Sfr 100 billion in foreign securities. The decline in 2000 is attributable to the markedly lower investment in bonds and money market paper. In 2000, banks sold bonds on a large scale from their own holdings after having invested heavily in debt securities a year earlier.

The other investors bought only half as many foreign bonds in 2000 as in the previous year. Investment in shares and investment funds, however, increased by Sfr 8 billion to Sfr 34 billion, with the euro being the preferred currency of investors in 2000. Two-thirds of the funds were invested in euro-denominated paper followed by the US dollar and the yen, albeit by a considerable margin. In the previous year, investments were split between euros and US dollars in nearly equal parts.

Foreign portfolio investment in Switzerland climbed from Sfr 9 billion in the previous year to Sfr 18 billion in 2000. A considerable proportion was accounted for by the purchase of shares (exchange of shares) in connection with the acquisition of enterprises abroad. Investment in debt instruments of domestic issuers rose by Sfr 2 billion to Sfr 2.5 billion. Due to the exchange of shares, investment in equity securities increased by Sfr 7 billion to Sfr 15 billion. Without taking the exchange of shares into consideration, investment in shares and investment funds was practically the same as in the previous year. With regard to the currency allocation, securities denominated in Swiss francs were in the majority, accounting for 90% of the investment.
### Portfolio investment: breakdown by securities

#### Swiss portfolio investment abroad

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<tr>
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<td>−17909</td>
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<td>−109</td>
<td>−4247</td>
<td>−1645</td>
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#### Foreign portfolio investment in Switzerland

<table>
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<th>8853</th>
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<td>3050</td>
<td>2341</td>
<td>607</td>
<td>2476</td>
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<tr>
<td>Bonds and notes</td>
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<td>3050</td>
<td>2341</td>
<td>501</td>
<td>2273</td>
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<td>Public sector</td>
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<td>2375</td>
<td>1476</td>
<td>−153</td>
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<td>654</td>
<td>1204</td>
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<td>n/a</td>
<td>n/a</td>
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<td>205</td>
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<td>10080</td>
<td>12515</td>
<td>8246</td>
<td>15335</td>
<td>86.1</td>
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<td>5946</td>
<td>876</td>
<td>8194</td>
<td>46.0</td>
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<td>7844</td>
<td>6569</td>
<td>7370</td>
<td>7341</td>
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</table>

#### Net

| Year | −12158 | −15537 | −6720 | −61507 | −19863 |

---

1. Until 1998, money market paper only included acquisitions by banks.
2. n/a = no data available
**Swiss portfolio investment abroad**

**Foreign portfolio investment in Switzerland**

Net (the minus sign [–] indicates a net capital export)
Other investment

Commercial bank lending
The banks’ cross-border lending business (domestic offices) witnessed vigorous growth also in 2000. In the field of interbank business, the outflow of funds for lending abroad rose by Sfr 17 billion to Sfr 124 billion. The inflow of funds resulting from deposits received expanded by Sfr 25 billion to Sfr 160 billion. On balance, interbank business thus again registered a capital import which, at Sfr 36 billion, even topped the previous year’s result by Sfr 8 billion. As to business with nonbanks, the outflow of funds for lending abroad rose by Sfr 7 billion to Sfr 17 billion. In 2000, contrary to the usual trend, an outflow of capital also resulted for deposits. This capital outflow amounted to Sfr 8 billion, leading to a net capital export of Sfr 25 billion on lending and borrowing, after just under Sfr 1 billion in 1999. Overall, the net capital import from cross-border lending and borrowing amounted to only Sfr 11 billion, compared with Sfr 28 billion in the previous period.

The breakdown by currency shows that the outflow of funds in the form of dollar- and euro-denominated credits in 2000 was only half as large as a year earlier, while outflows in other currencies (especially in yen) rose sharply. The share of the euro also shrank with regard to borrowing, but the US dollar share – unlike in the lending business – remained quite stable.

10.1 Breakdown of commercial bank lending by balance sheet position

<table>
<thead>
<tr>
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<th></th>
<th></th>
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</thead>
<tbody>
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<td>provisional</td>
<td></td>
<td></td>
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<td>Claims abroad</td>
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<td>−76.0</td>
<td>−66.0</td>
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<td>−10.7</td>
<td>−5.3</td>
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<tr>
<td>short-term</td>
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<td>−68.3</td>
<td>−56.3</td>
<td>−95.7</td>
<td>−118.3</td>
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<td>−7.7</td>
<td>−4.8</td>
<td>−9.7</td>
<td>−16.8</td>
</tr>
<tr>
<td>Liabilities abroad</td>
<td>60.7</td>
<td>74.8</td>
<td>49.3</td>
<td>143.6</td>
<td>151.4</td>
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<td>Liabilities vis-à-vis banks</td>
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<td>134.6</td>
<td>159.3</td>
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<td>3.1</td>
<td>8.5</td>
<td>14.2</td>
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</table>

1. The minus sign (−) indicates capital export.
## 10.2 Breakdown of commercial bank lending by currency\(^1\)

In billions of Swiss francs

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
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<td>provisional</td>
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<tr>
<td><strong>Claims abroad</strong></td>
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<tr>
<td>CHF</td>
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<td>3.2</td>
<td>9.8</td>
<td>−5.3</td>
</tr>
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<td>EUR (as from 1999)</td>
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<td></td>
<td></td>
<td>−55.3</td>
<td>−27.7</td>
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<td>DEM (until 1998)</td>
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<td>−13.6</td>
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<td><strong>Liabilities abroad</strong></td>
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<td>152.6</td>
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<td>Precious metals and, until 1998, securities lending</td>
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<td>7.3</td>
<td>12.3</td>
<td>0.3</td>
<td>−1.2</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td>−13.3</td>
<td>−1.2</td>
<td>−16.6</td>
<td>27.5</td>
<td>11.0</td>
</tr>
<tr>
<td>CHF</td>
<td>−5.6</td>
<td>19.4</td>
<td>3.6</td>
<td>16.8</td>
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<td>USD</td>
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<tr>
<td>Precious metals and, until 1998, securities lending</td>
<td>−8.5</td>
<td>10.2</td>
<td>1.3</td>
<td>−1.1</td>
<td>2.1</td>
</tr>
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\(^1\) The minus sign (−) indicates capital export.
Corporate lending

Capital exports by enterprises for lending abroad (without intra-group lending, which is shown under direct investment) amounted to Sfr 14 billion in 2000, compared with a capital import of Sfr 2 billion in the previous period. 90% of these funds were short-term. Holding companies and trading enterprises were the main contributors to the capital export. Borrowing abroad led to capital imports of Sfr 12 billion, following Sfr 1 billion in the previous year. Short-term funds (Sfr 7 billion) primarily went to trading enterprises and finance companies, while insurance companies were predominant with regard to long-term liabilities. Approximately three-quarters of capital exports and imports were allocated to claims and liabilities denominated in dollars and euros.

On balance, foreign borrowing and lending by enterprises resulted in an outflow of capital in the amount of Sfr 2 billion, while capital imports of Sfr 3 billion had been recorded in the previous year.
International reserves

The National Bank reduced the international reserves by Sfr 6.7 billion in 2000. Foreign exchange holdings were curtailed by Sfr 5.6 billion. The reserve position in the IMF – the difference between the Swiss quota in the IMF and the IMF’s Swiss franc balance held at the National Bank – declined by Sfr 0.6 billion. Special drawing rights contracted by Sfr 0.4 billion. Gold sales to the private sector, which have been effected since 1 May 2000 – the so-called demonetisation of gold –, are not recorded as international reserves (cf. box).

Accounting method for the National Bank’s international reserves

In 2000, for the first time, the National Bank’s international reserves were shown as flows without valuation-induced changes in compliance with the current IMF guidelines. Until then, in lieu of the flows, changes in holdings and the valuation-induced changes had been recorded according to the old balance of payments standard. Following the introduction of the new accounting method, counter-entries for non-transaction-induced changes in holdings are no longer made.

With the Federal law on currency and payment instruments entering into force on 1 May 2000, the National Bank altered the management of its gold holdings. The National Bank started to sell gold under the central bank agreement. These gold sales to the private sector are not recorded as international reserves in the balance of payments. The gold sales to the private sector are referred to as demonetisation of gold, and these sales are not recorded as international reserves. International reserves exclusively include gold transactions for reserve operations with central banks.
Residual item (net errors and omissions)

The residual item corresponds to the difference between the total of all balance of payments credit entries (current account earnings, transfer of assets from other countries, capital imports) and the debit entries (current account expenditure, transfer of assets abroad, capital exports). This difference arises from errors and omissions in statistical data. Theoretically, all transactions are entered twice in the balance of payments so that it should be balanced arithmetically. In practice, however, this principle cannot be fully applied. In case of a surplus on the credit side, the residual item carries a negative sign, in the contrary case a plus sign.

In 2000, the balance of payments recorded a (negative) residual item of Sfr 8 billion. In the previous year, the residual item amounted to Sfr +11 billion.
### 11 Components of the balance of payments

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| I. Current account net pos. A–D | 27168 | 36970 | 37827 | 43531 | 53220 |

#### A. Goods net

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#### C. Labour income and investment income net

| | 15591 | 23428 | 25918 | 31365 | 40531 |

<p>| Labour income | 1509 | 1544 | 1569 | 1623 | 1679 |
| Income | 1509 | 1544 | 1569 | 1623 | 1679 |
| Investment income | 39276 | 49348 | 65016 | 73825 | 102493 |
| Portfolio investment | 14295 | 15305 | 17919 | 21687 | 24509 |
| Direct investment | 9765 | 13889 | 26134 | 35125 | 44225 |
| Other investment | 15216 | 20154 | 20962 | 17013 | 33760 |
| Expenses | –25194 | –27464 | –40667 | –44083 | –63640 |
| Labour income | 8360 | –8076 | –8012 | –8097 | –8620 |
| Investment income | –16834 | –19388 | –32655 | –35986 | –55021 |
| Portfolio investment | –872 | –5723 | –7991 | –9915 | –12011 |
| Direct investment | –2930 | –1245 | –11674 | –14994 | –15256 |
| Other investment | –9032 | –12420 | –12991 | –13077 | –27753 |</p>
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**I. Current account net pos. A–D**

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C. Labour Income and Investment Income net

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**Note:** The table details the Swiss Balance of Payments for 2000, including data on current account, services, and labour income and investment income, with figures for each quarter (Q1 to Q4) provided.
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II. Capital transfers net | | | | | |
| Transfers from abroad | £23 | £52 | £1094 | £79 | £305 |
| Transfers abroad | £288 | £294 | £893 | £852 | £3154 |

III. Financial account net E–H | | | | | |
| | £3823 | £3280 | £5354 | £5418 | £4202 |

E. Direct Investment net | | | | | |
| Swiss direct investment abroad | £16159 | £16054 | £16247 | £36895 | £40995 |
| Equity capital | £13106 | £13515 | £16949 | £27648 | £53690 |
| Reinvested earnings | £6469 | £9889 | £7203 | £18474 | £16995 |
| Other capital | £393 | £2331 | £3058 | £7883 | £872 |
| Foreign direct investment in Switzerland | £3809 | £9631 | £12962 | £17110 | £29182 |
| Equity capital | £1502 | £5966 | £5093 | £7435 | £19728 |
| Reinvested earnings | £2930 | £1245 | £6501 | £9028 | £8481 |

F. Portfolio Investment net | | | | | |
| Debt securities | £28096 | £28647 | £21576 | £10360 | £13766 |
| Bonds and notes | £9537 | £17126 | £17800 | £1709 | £1645 |
| Money market instruments | £407 | £771 | £109 | £4247 | £1465 |
| Equity securities | £18152 | £13292 | £3667 | £26288 | £34322 |
| Shares | n/a | n/a | n/a | £16520 | £21805 |
| Investment funds | n/a | n/a | n/a | £9768 | £12517 |
| Foreign portfolio investment in Switzerland | £15938 | £13110 | £14856 | £8853 | £17813 |
| Debt securities | £1505 | £3030 | £2341 | £607 | £2478 |
| Bonds and notes | £1505 | £3030 | £2341 | £501 | £2273 |
| Money market instruments | n/a | n/a | n/a | £106 | £205 |
| Equity securities | £14433 | £10080 | £12535 | £8246 | £15335 |
| Shares | £1391 | £2236 | £5946 | £876 | £8194 |
| Investment funds | £13042 | £7844 | £6569 | £7370 | £7141 |
### Swiss Balance of Payments 2000

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G. Other investment net

Commercial bank lending net

Claims abroad

Claims on banks

long-term

short-term

Other claims

Liabilities abroad

Liabilities vis-à-vis banks

long-term

short-term

Other liabilities

Claims abroad

long-term

short-term

Liabilities abroad

Government lending net

Claims abroad

long-term

Granting of credits

Redemption of credits

short-term

Liabilities abroad

Other net

Swiss investment abroad

long-term

Capital subscription by the government to international organisations

short-term

Fiduciary assets

Other

Foreign investment in Switzerland

long-term

Real estate

Other

Other investment

Fiduciary assets

Precious metals, net
### H. International reserves

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### IV. Net errors and omissions

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1. International reserves total

IV. Net errors and omissions
Notes

Statistical changes

Adjustment of Swiss statistics to the international balance of payments standard
The Swiss balance of payments is in principle based on the recommendations of the Balance of Payments Manual of the IMF (5th edition, 1993). Due to the data situation and the special features of Swiss statistics, not all the recommendations of the 5th edition of the manual of 1993 have, however, been fulfilled to date. Deviations occurred in particular in the categories other goods trade, transportation, private transfers, capital transfers, and international reserves; these deviations have now been eliminated based on new statistical sources.

Other goods trade
As from 2000, gross values will be shown for processing of goods for foreign account included in other goods trade.

Transportation
Transportation now also includes various services which are provided in connection with air and rail transportation and which have so far been recorded under other services.

Private transfers
Since 1999, private transfers have also included premium receipts from abroad (without service charges) and claims payable abroad by private domestic insurance companies. Service charges still figure under services.

Capital transfers
Purchases and sales of intangible assets are now shown together with capital transfers. Formerly, they were recorded under financial flows.

Other investment
The category other investment now also includes the change in the National Bank’s liabilities, which has to date been shown together with international reserves.

International reserves
Since 2000, the National Bank’s international reserves have been shown without valuation-induced changes. Until 1999, in lieu of flows, changes in holdings were recorded according to the old balance of payments standard. As from 2000, following the introduction of the new accounting method, counterentries for non-transaction-induced changes in holdings have no longer been made.

Current account

Special trade
Exports f.o.b., imports c.i.f., according to the foreign trade statistics of the General Directorate of Customs, without precious metals, precious stones and gems as well as objets d’art and antiques (total 1). As from 1995, special trade has also included aviation fuel.

Electrical energy
Exports and imports of electricity without substitution energy.

Other goods
Precious metals, precious stones and gems as well as objets d’art and antiques, processing of goods for foreign account, processing abroad for domestic account, export and import of returned goods, purchase and sale of Rhine vessels, transportation costs and insurance premiums on imports, unchecked goods trade, small consignments, import of industrial gold and silver, goods procured in ports.

Tourism
Business travel and personal travel, stays at health resorts and hospitals, travel related to studies, same-day travel, transit travel; small volumes in cross-border traffic, duty-free shops, consumption expenditure by cross-border commuters.

Other services
The share of foreign business of private insurance companies, merchanting, transportation, postal and courier services, telecommunications, financial services (bank commissions), technological services (construction services, commercial and technical counselling, royalties and license fees incl. management fees), purchases of goods and services by foreign representatives in Switzerland, by Swiss representatives abroad and by international organisations in Switzerland, management of domiciliary companies, law offices and fiduciary companies, cultural services, etc.
Gross wages and salaries of Swiss cross-border commuters and of residents with foreign employers (international organisations and consular representatives in Switzerland); gross wages and salaries of foreign cross-border commuters incl. employer and employee contributions to social security schemes (i.e. old age and survivors’ insurance, disability insurance, military income loss insurance and unemployment insurance).

Labour income

Portfolio investment: income on equity securities and on debt securities; direct investment: transferred and reinvested earnings from direct investment; other investment: interest business of the banks, earnings from fiduciary investment, income on investments of the Swiss National Bank and the Confederation, and other investment income (financial leasing fees, etc.). Not included are interest earnings on loans by nonbanks.

Investment income

Transfers to Switzerland by emigrants, by foreign insurance schemes, etc.; remittances of immigrant workers, annuities and indemnity payments, pension payments, financial support, foreign aid of private aid agencies, premium income and payment of claims (without the share of services) by private insurance companies.

Current transfers by private persons

Contributions of Swiss nationals abroad and foreign cross-border commuters to social security schemes in Switzerland (i.e. old age and survivors’ insurance, disability insurance, military income loss insurance, national accident insurance and unemployment insurance), state revenue from stamp duty, from withholding tax of cross-border commuters and from other taxes and fees incl. transportation tax. Social security transfers abroad, Swiss contributions to international organisations and other remittances abroad, tax refunds to cross-border commuters’ countries of residence as well as government aid to foreign countries.

Current transfers by the public sector

The data derives from statistics collected by the federal authorities and the Swiss National Bank; some of the figures are estimates.

Statistical basis of the current account

The data derives from statistics collected by the federal authorities and the Swiss National Bank; some of the figures are estimates.

Capital transfers

Debt forgiveness and financial assistance grants by the Confederation, private transfers of assets as well as intangible assets.

Financial account

Swiss direct investment abroad: investment by Swiss enterprises in foreign enterprises (subsidiaries, branch offices, affiliated companies). Foreign direct investment in Switzerland: investment by foreign enterprises in Swiss enterprises. The financial flows shown relate to equity capital (paid-up capital; the establishment, acquisition or liquidation and sale of subsidiaries and affiliated companies; the provision of capital stock and operating capital to branch offices), reinvested earnings and inflows and outflows of credits. Statistical sources are the quarterly and annual surveys carried out by the Swiss National Bank.

Direct investment

Portfolio investment abroad: investment by residents in debt instruments and equity securities of foreign issuers (money market paper, bonds, shares, participation certificates, dividend-right certificates, investment fund certificates). The data represents net inflows, i.e. new investment minus liquidation of investments and redemptions. The statistical basis is data reported by the banks on the acquisition of securities by domestic customers. The data on acquisitions by banks and enterprises is derived from the statistics on their foreign borrowings and lendings. Portfolio investment in Switzerland: foreign investment in debt instruments and equity securities of domestic issuers (money market paper, bonds, medium-term notes, shares, participation certificates, dividend-right certificates, investment fund certificates). The data represents net inflows, i.e. new investment minus liquidation of investments and redemptions. The statistical basis is data reported by the banks on the acquisition of securities by foreign customers. The data on bonds floated abroad by domestic enterprises is derived from the statistics on the foreign borrowings and lendings of enterprises.

Portfolio investment
Claims abroad: interbank lending operations, i.e. net change in long- and short-term lending to banks including precious metals claims; net change in lending to customers and mortgage loans as well as precious metals claims. Liabilities abroad: interbank deposit operations, i.e. long- and short-term deposits of banks incl. precious metals liabilities; long-term customer deposits as well as deposits in the form of savings and investment, short-term deposits by customers incl. precious metals liabilities. The transaction figures recorded in the balance of payments represent the net change in the individual positions, i.e. the inflow of new funds minus repayment of outstanding liabilities. The statistical basis are reports by domestic banks on foreign borrowings and lendings.

Claims abroad: net change in short- and long-term lending by domestic private and government enterprises to natural persons, banks and enterprises abroad excluding intra-group lending, i.e. without credits granted to subsidiaries, branch offices and affiliated companies abroad. Liabilities abroad: net change in short- and long-term lending by natural persons, banks and enterprises abroad to domestic private and government enterprises excluding intra-group lending, i.e. without credits granted to domestic subsidiaries, branch offices and affiliated companies. The statistical basis are reports submitted by the enterprises to the National Bank.

Cross-border financial flows of the Confederation, the cantons and communes and social security organisations. Claims abroad: short- and long-term lending abroad by the public sector. Liabilities abroad: short-term liabilities of the public sector vis-à-vis other countries.

Fiduciary claims and liabilities: claims include the outflow of residents’ fiduciary funds which are invested abroad; liabilities include the inflow of non-residents’ fiduciary funds which are invested in Switzerland. The statistical basis are reports by domestic banks on their foreign borrowings and lendings. Import and export of precious metals: the import and export of gold and silver as raw materials and of coins according to trade statistics. The imports of precious metals recorded in the current account are deducted. The Confederation’s participation in capital increases of international organisations. The sale of real estate in Switzerland by nonresidents to residents. Actual changes in ownership according to the statistics of the Federal Department of Justice on the sale of real estate to nonresidents are recorded. Other private investment furthermore includes financial flows between nonbanks and banks abroad as well as changes in the liabilities of the National Bank. Domestic fiduciary funds which, according to the National Bank’s estimates, are accounted for by nonresidents and financial flows between banks and international organisations domiciled in Switzerland are entered as adjustment items under other private investment.

Changes in gold holdings, foreign exchange holdings, the reserve position in the International Monetary Fund (IMF) (as from 1992), international payment instruments (SDR) and the balance of payments aid extended by the National Bank. Since 2000, the flow variables in the National Bank’s foreign balances have been shown without valuation-induced changes. Until 1999, changes in holdings according to the old balance of payments standard were recorded in lieu of the flow variables. Following the introduction of the new accounting method, counterentries for non-transaction-induced changes in holdings ceased to be made in 2000.

Residual item (net errors and omissions)

Non-recorded transactions and statistical errors, net See methodical basis.

Legal basis of the balance of payments statistics According to the Federal Statistical Act of October 1992 and the Ordinance on the conduct of federal statistical surveys of June 1993, the Swiss National Bank is authorised to collect statistics on a quarterly basis for the current account and the financial account. In the case of the current account, legal entities are obliged to supply information if the transaction value of a reporting item exceeds Sfr 100,000 per quarter. In the case of the financial account, natural persons and legal entities are obliged to supply information if the transaction value of a reporting item exceeds Sfr 1 million per quarter.
Methodical basis

Definition
The balance of payments is a systematic presentation of the economic transactions between residents and nonresidents during a specified period. A transaction is considered to be the flow of goods, services, income and transfers (see below) as well as the creation and settlement of financial claims and liabilities including inflows and outflows of equity capital. The methodical basis of the balance of payments is set out in the Balance of Payments Manual of the IMF (5th Edition).

Current account
The current account comprises trade and services transactions with other countries, cross-border labour income and investment income, and current transfers.

Transfers
Transfers are book entries that offset one-way transactions performed without compensation – e.g. in the context of development aid – in order to comply with the system of double bookkeeping applied in the balance of payments statistics. A distinction is made between current transfers in the current account and capital transfers, which represent a category of their own. Offsetting entries for goods, services and income which are provided free of charge are classed mainly under current transfers, while offsetting entries for the provision of free capital are shown mainly under capital transfers.

Financial account
The financial account shows the creation and settlement of cross-border financial claims and liabilities. Depending on the investment motive, a distinction is made between direct investment (investment in foreign enterprises with equity character), portfolio investment (investment in foreign securities), other investment (mainly lending by banks and enterprises to nonresidents) and international reserves.

Residual item (non-recorded transactions and statistical errors, net)
The residual item is the difference between total “receipts” (current account earnings, capital transfers from abroad, capital imports) and total “expenses” (current account expenses, capital transfers abroad, capital exports). This difference arises from errors and omissions in statistical data. Theoretically, all transactions are entered twice in the balance of payments so that it should be balanced arithmetically. In actual practice, however, this principle cannot always be applied. In principle, all components of the balance of payments can contribute to the residual item. A residual item with a plus sign indicates non-recorded current receipts and/or capital imports, one with a negative sign indicates non-recorded current expenses and/or capital exports.

The link between the main aggregates in the balance of payments
The Swiss balance of payments consists of the three main aggregates current account, capital transfers and financial account. There is an interrelationship between the main aggregates. Theoretically (i.e. not taking into account the statistical errors in the residual item), the balance from the current account and capital transfers corresponds, in reverse, to the balance from the financial account. The sum of these three component balance sheets thus totals zero.
The balance of payments forms part of the system of national accounts. In the system of national accounts, the balance of payments represents the foreign sector. The table below shows the significance of the main balance of payments aggregates in the system of national accounts.

<table>
<thead>
<tr>
<th>Balance of Payments</th>
<th>System of national accounts</th>
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</thead>
<tbody>
<tr>
<td>1) Goods and services account, net</td>
<td>External contribution to GDP</td>
</tr>
<tr>
<td>2) Goods and services account, net + labour income and investment income, net</td>
<td>External contribution to GNP</td>
</tr>
<tr>
<td>3) Balance on current account</td>
<td>Balance of domestic savings and investment</td>
</tr>
<tr>
<td>4) Balance on current account + net capital transfers</td>
<td>Net financial surplus/deficit</td>
</tr>
</tbody>
</table>

The net financial surplus or deficit of the national accounting system corresponds to the transaction-related change in net foreign assets.