

2002

SCHWEIZERISCHE NATIONALBANK  
BANQUE NATIONALE SUISSE  
BANCA NAZIONALE SVIZZERA  
BANCA NAZIUNALA SVIZRA ☒

# Swiss Balance of Payments

Swiss National Bank  
Swiss Balance of Payments 2002

**Published by**

Swiss National Bank  
Statistics  
CH-8022 Zurich  
Tel. +41 1 631 31 11

**Printed by**

Zürichsee Druckereien AG  
Seestrasse 86  
CH-8712 Stäfa

**Copyright**

Reproduction and publication of figures  
permitted with reference to source

**Internet**

<http://www.snb.ch>

---

Published in September 2003

---

## Contents

Page	
4	<b>Overview</b>
7	<b>Current account</b>
8	Long-term development of the current account balance
10	Goods
12	Services
16	Labour income and investment income
18	Current transfers
20	<b>Financial account</b>
21	Direct investment
28	Portfolio investment
31	Other investment
31	Commercial bank lending
33	Corporate lending
34	International reserves
35	<b>Residual item (net errors and omissions)</b>
39	<b>Notes</b>
41	<b>Legal basis</b>
42	<b>Methodological basis</b>
44	<b>Definition of countries and regions in direct investment statistics</b>
	<b>Tables</b>
5	1 Overview Swiss balance of payments
8	2 Current account
11	3 Goods
14	4 Services
17	5 Labour income and investment income
19	6 Current transfers
23	7.1 Swiss direct investment abroad: breakdown by economic activity
24	7.2 Swiss direct investment abroad: breakdown by country
26	8.1 Foreign direct investment in Switzerland: breakdown by economic activity
27	8.2 Foreign direct investment in Switzerland: breakdown by country
29	9. Portfolio investment: breakdown by securities
31	10.1 Breakdown of commercial bank lending by balance sheet position
32	10.2 Breakdown of commercial bank lending by currency
36	11 Components of the balance of payments
	<b>Graphs</b>
7	1 Current account, net
7	2 Structure of receipts and expenses of the current account
9	3 Impact of the individual components on the current account balance
9	4 Current account net in percent of gross domestic product
11	5 Foreign trade by economic area
20	6 Financial account, net
22	7 Direct investment total
23	8 Direct investment by economic area
30	9 Portfolio investment total
30	10 Portfolio investment by currency

# Overview

## **Slight increase in current account surplus**

Switzerland's current account in 2002 was impacted by the weak global economy. At Sfr 39 billion, the current account surplus exceeded the previous year's level by Sfr 2 billion. Lower imports of goods, which decreased more sharply than exports of goods owing in particular to weak domestic demand, were the main reason for this result.

## **Significant surplus in goods trade**

Imports of goods declined by 8% in terms of value year-on-year. Falling by 2%, exports of goods held their own relatively well, however. The trade in goods closed with a Sfr 5 billion surplus compared with a deficit of Sfr 5 billion in the previous year.

## **Fall-off in exports of services reduced by substantial exports of insurance services**

Exports of services decreased by 2% to Sfr 46 billion in terms of value. Earnings from tourism and banks' earnings from financial services, which together make up roughly half of exports of services, fell steeply. The massive rise in exports of services by the insurance companies partly offset the weak result in the tourist sector and in financial services.

## **Imports of services receding**

Imports of services declined by 4% from the year-earlier level to Sfr 24 billion. Only expenditures related to technological services – mainly in the form of licensing fees – registered a strong increase. At Sfr 22 billion, the surplus from services equalled the previous year's figure.

## **Sharp fall in net investment income**

Investment income from abroad and expenditures abroad plummeted as a result of lower interest rates and receding direct investment income. Income on Swiss investment abroad fell by more than a quarter. Payments relating to foreign investment in Switzerland were down by a third. Since Switzerland's assets abroad are considerably higher than foreign assets in Switzerland, the low interest rate level had a stronger impact on income than on expenditures. Net income decreased by Sfr 7 billion to Sfr 27 billion. In 2000, net income had peaked at Sfr 45 billion.

## **Shifts in financial flows**

Financial flows in 2002 were shaped by banks and companies investing heavily in short-term assets. By contrast, for the most part, portfolio investment and long-term direct investment levelled off.

## **Steady decline in direct investment abroad and...**

At Sfr 16 billion, Swiss companies only invested half as much in foreign subsidiaries as in the previous year. As a result, capital outflows for direct investment retreated to their average figure for the 1990s. In 2000, they had reached a peak of Sfr 75 billion. Of the two major destinations for Swiss direct investment, the decline affected the US to a greater and the EU to a lesser degree.

## **...in Switzerland**

Capital inflows for direct investment in Switzerland contracted from Sfr 15 billion in 2001 to Sfr 5 billion in 2002 – the lowest level since 1996. The drop is attributable to a massive decline in investments from the EU. Capital inflows from the US, however, diminished only slightly.

## **Conflicting trends in cross-border securities investments**

Swiss portfolio investment abroad (net purchases of securities of foreign issuers) receded by approximately one-third to Sfr 47 billion. Of this amount, Sfr 35 billion was invested in bonds and money market paper. The rest was placed in equity securities. Foreign portfolio investment in Switzerland, however, registered a substantial increase to Sfr 11 billion compared with Sfr 3 billion a year earlier.

## **Large-scale net capital exports by banks**

The salient feature of other investment was the high volume of net capital exports by banks. High liquidity in the banking sector resulted in a net outflow of Sfr 33 billion to other countries, mainly via the interbank market.

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

	1998	1999	2000	2001 revised	2002 provisional
<b>I. Current account net</b>	37.8	45.7	53.5	36.2	38.6
<b>Goods net</b>	-2.3	-0.3	-4.2	-4.6	5.2
Special trade, net	2.2	1.0	-2.1	1.7	7.3
Exports	109.1	114.4	126.5	131.7	130.4
Imports	-106.9	-113.4	-128.6	-130.1	-123.1
Other trade, net	-4.6	-1.3	-2.2	-6.3	-2.1
<b>Services net</b>	19.6	21.6	25.6	22.1	22.1
Tourism, net	1.7	1.6	2.4	2.1	1.9
Receipts	11.6	11.8	13.1	12.7	12.2
Expenses	-9.9	-10.2	-10.7	-10.6	-10.3
Financial services, net	9.2	11.1	13.3	11.8	10.4
Receipts	10.0	12.0	14.6	12.9	11.3
Expenses	-0.7	-0.8	-1.3	-1.1	-0.9
Other services, net	8.6	8.9	9.9	8.2	9.7
<b>Labour income and investment income net</b>	25.9	30.5	37.0	25.5	17.9
Labour income, net	-6.4	-6.5	-7.8	-8.6	-9.2
Receipts	1.6	1.6	1.7	2.0	2.0
Expenses	-8.0	-8.1	-9.5	-10.5	-11.2
Investment income, net	32.4	37.0	44.8	34.0	27.1
Receipts	65.0	73.7	102.4	87.7	62.5
Portfolio investment	17.9	21.7	24.5	24.6	22.9
Direct investment	26.1	34.9	44.1	31.5	18.9
Other investment	21.0	17.0	33.8	31.6	20.7
Expenses	-32.7	-36.7	-57.6	-53.7	-35.4
Portfolio investment	-8.0	-9.9	-12.0	-13.7	-11.6
Direct investment	-11.7	-15.7	-17.8	-12.8	-8.3
Other investment	-13.0	-11.1	-27.8	-27.1	-15.5
<b>Current transfers net</b>	-5.3	-6.2	-4.9	-6.7	-6.5
<b>II. Capital transfers net</b>	0.2	-0.8	-6.0	2.6	-1.8
<b>III. Financial account net</b>	-45.3	-49.6	-39.8	-59.5	-54.3
<b>Direct investment net</b>	-14.2	-32.4	-42.9	-15.8	-11.2
Swiss direct investment abroad	-27.2	-50.0	-75.4	-30.9	-15.7
Equity capital	-16.9	-23.8	-56.0	-22.4	-24.3
Reinvested earnings	-7.2	-18.3	-16.8	-4.4	7.3
Other capital	-3.1	-7.9	-2.6	-4.1	1.3
Foreign direct investment in Switzerland	13.0	17.6	32.5	15.0	4.5
Equity capital	5.1	7.6	19.9	15.9	1.2
Reinvested earnings	6.5	9.7	11.0	1.0	0.7
Other capital	1.4	0.3	1.7	-1.8	2.6

	1998	1999	2000	2001	2002
				revised	provisional
<b>Portfolio investment net</b>	-6.7	-61.5	-19.9	-69.1	-35.2
Swiss portfolio investment abroad	-21.6	-70.4	-37.7	-72.3	-46.6
Debt securities	-17.9	-44.1	-3.4	-47.1	-34.8
Bonds and notes	-17.8	-39.8	-1.7	-39.3	-29.6
Money market instruments	-0.1	-4.2	-1.6	-7.8	-5.2
Equity securities	-3.7	-26.3	-34.3	-25.2	-11.9
Foreign portfolio investment in Switzerland	14.9	8.9	17.8	3.2	11.4
Debt securities	2.3	0.6	2.5	0.1	2.6
Bonds and notes	2.3	0.5	2.3	-0.8	0.0
Money market instruments	n/a	0.1	0.9	2.6	
Equity securities	12.5	8.2	15.3	3.1	8.8
<b>Other investment net</b>	-23.2	41.5	16.4	26.5	-4.2
Commercial bank lending, net	-16.7	27.5	11.0	18.5	-32.5
Claims abroad	-66.0	-116.1	-140.4	46.5	-91.1
Claims on banks	-61.1	-106.4	-123.6	42.5	-93.9
Other claims	-4.8	-9.7	-16.8	4.0	2.8
Liabilities abroad	49.3	143.6	151.4	-27.9	58.7
Liabilities vis-à-vis banks	39.2	134.6	159.3	-29.1	48.8
Other liabilities	10.1	9.0	-7.8	1.2	9.9
Corporate lending <sup>2</sup> , net	-5.4	3.1	-1.2	-8.9	-11.7
Claims abroad	-14.4	2.0	-13.9	-11.5	-10.8
Liabilities abroad	9.0	1.1	12.8	2.6	-0.9
Government lending, net	0.3	0.2	0.0	0.0	0.3
Other, net	-1.4	10.7	6.5	16.8	39.6
<b>International reserves total<sup>3</sup></b>	-1.1	2.8	6.7	-1.1	-3.7
Changes in foreign assets	-0.2	-1.3	6.7	-1.1	-3.7
Counterentry to valuation changes	-0.9	4.1	.	.	.
<b>IV. Net errors and omissions</b>	7.3	4.7	-7.7	20.7	17.5

1 The minus sign (-) indicates a surplus of imports over exports in the current account, and an export of capital in the other positions.

2 Intragroup lending is shown under direct investment.

3 Since 2000, flows have been shown in the table 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.

\* Differences in aggregates, i.e. totals and sums of components, due to the rounding of figures.

n/a no data available

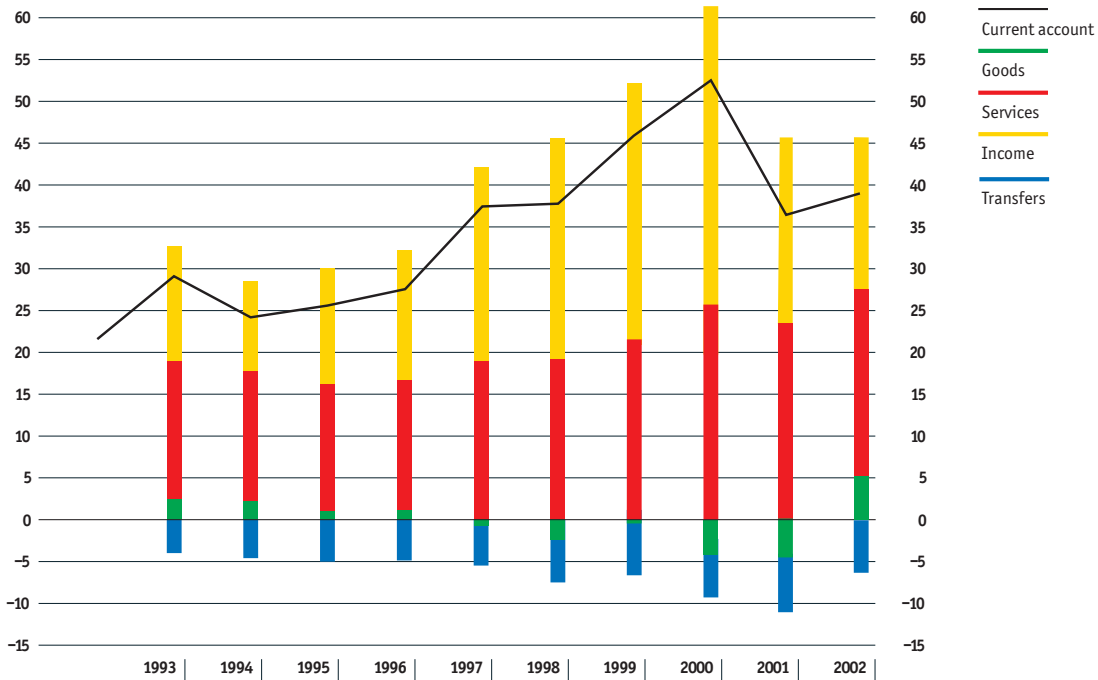
# Current account

The current account surplus for 2002 came to Sfr 39 billion. This was Sfr 2 billion more than a year previously. In relation to gross domestic product, the surplus amounted to 9.3% compared with 8.7% a year earlier. Once again, this was high by international standards. The current account balance was characterised by the surplus in the goods trade and the decline in net investment income. Since imports of goods fell off sharply as a result of the economic situation, trade in goods closed with a surplus of Sfr 5 billion compared with a deficit in the same amount in 2001. Trade in services saw declines in both exports and

**Substantial surplus in goods trade – declining net investment income**

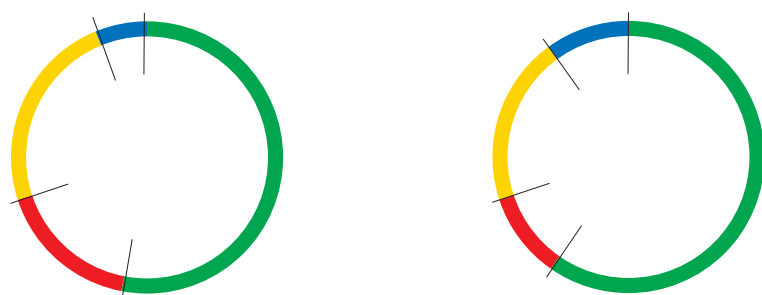
**Current account, net** in billions of Swiss francs

Graph 1



**Structure of receipts and expenses of the current account**

Graph 2



**Structure of receipts**  
percent

- Goods 53
- Services 17
- Income 24
- Current transfers 6

Total receipts:  
Sfr 271 billion

**Structure of expenses**  
percent

- Goods 60
- Services 10
- Income 20
- Current transfers 10

Total expenses:  
Sfr 232 billion



imports. As in the previous year, a surplus from services amounting to Sfr 22 billion was recorded. The surplus from labour income and investment income amounted to Sfr 18 billion, falling Sfr 8 billion short of last year's level. Lower interest rates and receding income on participations abroad led to a fall in investment income from abroad. Payments relating to foreign investments in Switzerland registered a sharp decrease as well. Net investment income thus totalled Sfr 27 billion. A year earlier, it had amounted to Sfr 34 billion.

## 2 Current account 1993–2002

	Receipts	Expenses	Net	Current account in percent of gross domestic product
	billions of Swiss francs	billions of Swiss francs	billions of Swiss francs	
1993	169.4	140.6	28.8	8.2
1994	170.4	146.5	23.9	6.7
1995	171.5	146.3	25.2	6.9
1996	179.1	151.9	27.2	7.4
1997	205.6	168.7	37.0	10.0
1998	227.7	189.9	37.8	10.0
1999	254.7	209.0	45.7	11.8
2000	308.0	254.5	53.5	13.2
2001	298.8	262.5	36.2	8.7
2002	270.5	231.9	38.6	9.3

### Long-term development of the current account

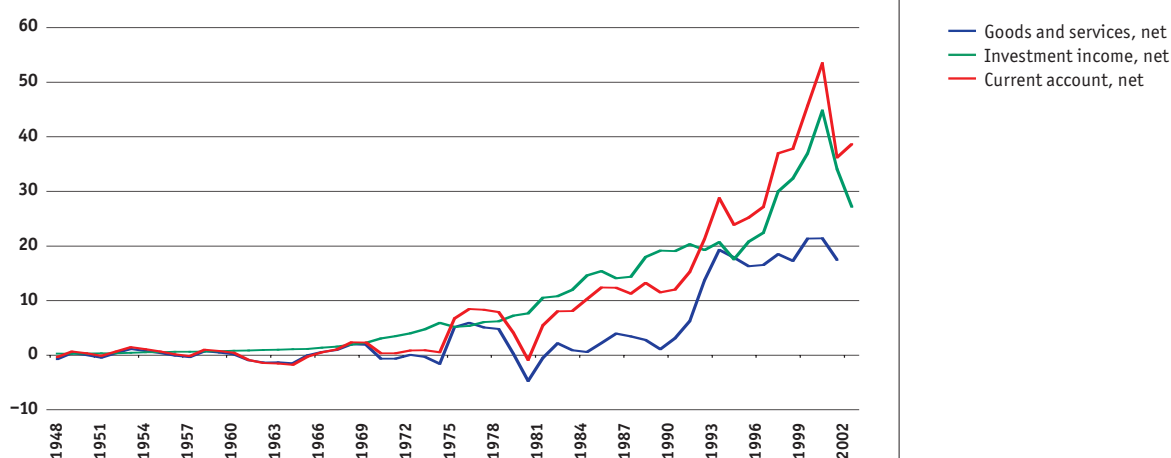
Since 1947, when it was estimated for the first time, the current account has shown a surplus in 46 years and a deficit in 10 years. The largest surplus was recorded in 2000, when receipts exceeded expenditures by Sfr 54 billion. In the past two years, the surplus has declined sharply. In relation to nominal gross domestic product (GDP), the current account balance fluctuated markedly between 1948 and the beginning of the eighties, amounting to around 1% on average. Subsequently, it rose steeply up to 13% by 2000. Seen over the entire period, the current account has exhibited a surplus with a rising trend.

Until the beginning of the eighties, the current account balance was largely determined by fluctuations in the goods and services account balance. High GDP growth rates at the start of the sixties and seventies – associated with an overheating of the economy – led to import surpluses in the goods and services account. There was, however, an equilibrium or a positive balance whenever growth slowed or even contracted. During the period 1950–1990, the goods and services account was balanced, on average. Since the nineties, it has been positive throughout. Even in phases of stronger growth, the goods and services trade has exhibited a relatively large surplus. This is probably related to the disparate development of export and import prices. In the nineties, export prices rose much more markedly than import prices. This means that the terms of trade have moved in Switzerland's favour.

Moreover, the current account balance has been considerably influenced by the investment income account surpluses. In the period 1950 to 2000, net investment income rose practically without interruption. The reason for this steady increase was the growth in Switzerland's net international investment position. The uptrend in interest rates until the end of the eighties exerted an influence in a similar direction. Since Switzerland's foreign assets exceed its foreign liabilities, a rise in interest rates leads to a relatively stronger increase in interest earnings than interest expenditures. This development, however, was halted abruptly in 2001. The marked reduction in interest rates put strong downward pressure on the investment income surplus in 2001 and 2002.

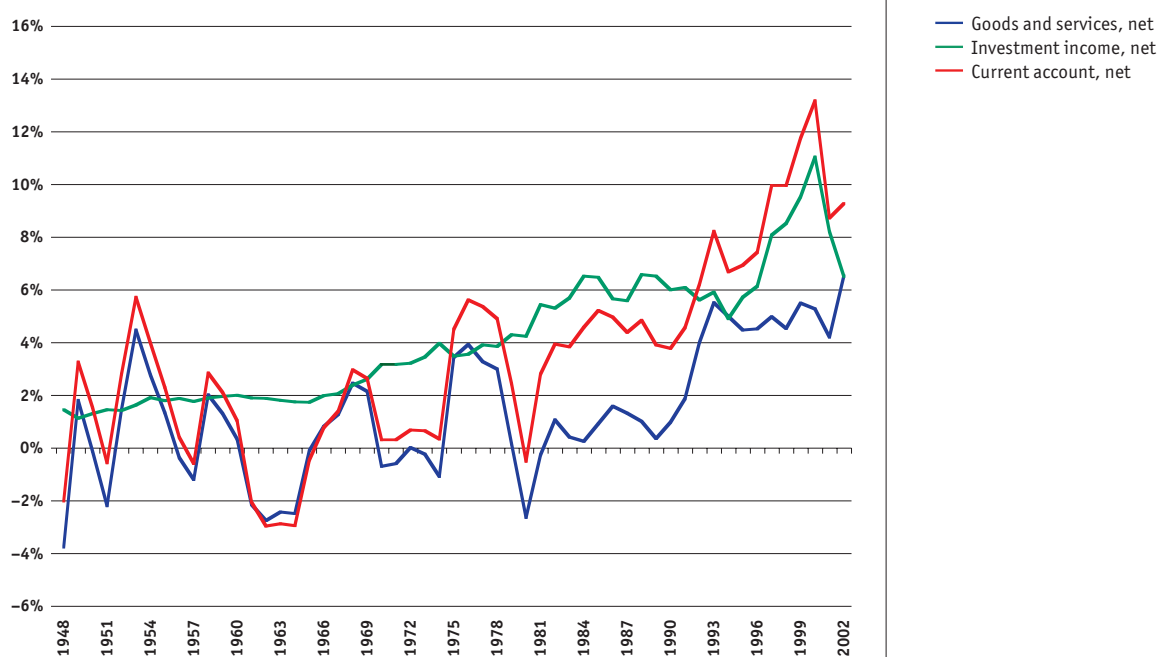
**Impact of the individual components on the current account balance** in billions of Swiss francs

Graph 3



**Current account net in percent of gross domestic product**

Graph 4



# Goods

## **Sharp decline in imports**

With economic prospects in Switzerland and abroad still muted, the Swiss export sector continued to weaken in 2002. While they had still registered a slight increase in 2001, nominal imports (special trade, excluding precious metals, precious stones and gems but including objets d'art and antiques) fell by 5% in 2002. In real terms, this was a 3% decline. Nominal exports decreased by 1%. In real terms, however, they went up by 2%.

## **High exports by the chemical industry – decline in the machinery sector**

The major export industries showed mixed trends. The chemical industry – the most important export sector – again boosted its sales abroad, notably in the pharmaceutical sector. Exports of precision instruments exhibited positive growth rates again as well. Exports by the watchmaking industry stagnated compared with slight growth in the previous year. In the machinery and electronics industry, the second most important export sector, as well as in the metal industry, declining sales continued at a faster pace, however.

## **Higher exports to the US – fewer to the EU**

Contrary to the previous year, shipments to the US expanded, while exports to the EU shrank. Exports to Germany, Switzerland's major trading partner, slipped by 8%. Exports of goods to France and Italy, however, were up. Exports to transition countries mounted as well, with shipments to China reaching the highest growth rates. On the other hand, emerging economies and developing countries – with the exception of OPEC countries – imported fewer goods from Switzerland.

## **Declining imports in almost all categories of goods and economic areas**

With aggregate demand in Switzerland declining further, imports in all categories of goods – with the exception of consumer goods – were on the wane. Even the increase in consumer goods imports was limited to pharmaceuticals and jewellery, trinkets and ornaments. The geographical breakdown reveals that imports were down in almost all economic areas. Only from transition countries were more goods imported than in the previous year.

## **Other goods trade and electrical energy**

The development of the "other goods" trade is largely shaped by precious metals, precious stones and gems, which to some extent are subject to significant fluctuations and special effects. The steep decline in imports of other goods is attributable to lower imports of precious metals. In 2001, large volumes of palladium were imported from Russia. At one billion Swiss francs, the surplus of exports in the electricity industry was the same as in 2001.

### 3 Goods

	1998	1999	2000	2001	2002	Changes against previous year
	millions of Swiss francs	millions of Swiss francs	millions of Swiss francs	revised millions of Swiss francs	provisional millions of Swiss francs	percent

#### Special trade<sup>1</sup>

Exports	109113	114446	126549	131717	130381	-1.0
Imports	106866	113416	128615	130052	123125	-5.3
Net	2247	1030	-2066	1665	7256	

#### Electrical energy

Exports	2022	2069	1944	2963	2509	-15.3
Imports	1346	1462	1475	1896	1488	-21.5
Net	677	607	469	1067	1021	

#### Other goods<sup>2</sup>

Exports	7215	8651	15053	11225	10577	-5.8
Imports	12467	10564	17673	18607	13692	-26.4
Net	-5253	-1913	-2620	-7382	-3115	

#### Total

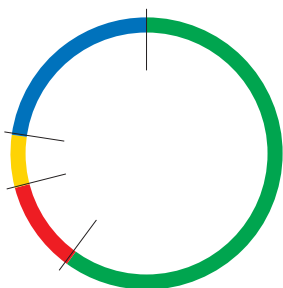
Exports	118350	125166	143546	145905	143466	-1.7
Imports	120679	125442	147763	150555	138305	-8.1
Net	-2329	-276	-4217	-4650	5162	

1 Not including 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 processing of goods for foreign account, which is included in other goods.

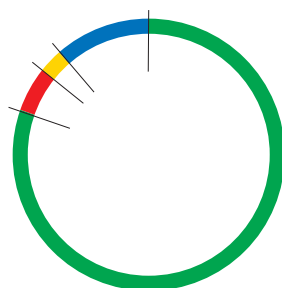
#### Foreign trade 2002 by economic area

Graph 5



Exports of goods percent

EU 60
United States 11
Other industrial countries 6
Other 23



Imports of goods percent

EU 80
United States 5
Other industrial countries 3
Other 12

# Services

## **Lower receipts from tourism...**

Receipts from tourism fell by 4% to Sfr 12 billion in 2002. The number of overnight stays in hotels and health resorts by foreign visitors diminished by 8%. The number of tourists from Germany, who account for the majority of foreign visitors, was down by 12% year-on-year. Guests from the US and Japan even booked 15% fewer overnight stays. Other types of accommodation (holiday flats, etc.) exhibited a negative trend as well. Several factors contributed to this unfavourable result. After the setback in foreign travel at the end of 2001, the disappointing economic trend, coupled with the strong Swiss franc, prevented a recovery of cross-border tourism. Finally, geopolitical uncertainty also kept many guests from travelling abroad. Receipts from hospital and clinic stays and from income generated by foreign students in Switzerland rose fairly markedly, however. Higher earnings from day tours and transit travel is attributable to a change in customs regulations. Consumer spending by persons residing in border areas will no longer be recorded in the "other tourism" category, but will be included in day tours and transit travel.

## **...and outlays receding as well**

Lacklustre economic development in Switzerland led to a drop in expenditures for personal and business travel abroad by 2% to Sfr 10 billion. Parallel to the receipts situation, the sharp rise in the number of day tours and the volume of transit travel is due to changes in customs regulations. Since both receipts and expenditures from tourism contracted, the Sfr 2 billion surplus was the same as in the previous year.

## **Dynamic growth in exports of services by the insurance companies...**

Insurance companies' revenues, which comprise premium income minus payment of claims, mounted by Sfr 2 billion to Sfr 4 billion. In the wake of the terror attacks in the US insurance premiums skyrocketed, resulting in significantly higher premium income. However, claims expenditures, which had been extremely high in 2001, fell sharply. Consequently, earnings from services rose most conspicuously.

## **...and of merchanting**

Income from merchanting expanded by more than 50% to Sfr 2 billion. This increase was attributable to higher raw material prices and new business start-ups in Switzerland.

## **International transportation on the decline**

As a result of the sluggish economy worldwide, international freight transportation diminished. The slump in international travel led to a drop in passenger transport. Given this decline, transportation-related exports and imports of services receded as well. Income from cross-border transportation fell by a third overall, expenditures by a fourth.

## **The slump in the financial market depresses bank commissions**

Receipts from financial services were down again. Commissions earned by domestic banks abroad decreased by 12% overall. Income was lower in most business segments. With investment activity weak, securities trading and asset management in particular, as well as income from investment banking, registered a sharp decline.

Export income and import expenditures for technological services rose markedly as a result of higher revenue from licenses and patents. Revenue moved up by approximately one-fourth to Sfr 7 billion, while expenditures rose by one-fifth to Sfr 7 billion.

Total receipts from services exports amounted to Sfr 46 billion, falling Sfr 1 billion short of the year-earlier level. Expenditures decreased by 4% to Sfr 24 billion. At Sfr 22 billion, the surplus from services equalled the previous year's figure.

**Trade in technological services brisk**

**Surplus from services stagnating**

## 4 Services

	1998	1999	2000	2001	2002	Changes against previous year
	millions of Swiss francs	millions of Swiss francs	millions of Swiss francs	revised millions of Swiss francs	provisional millions of Swiss francs	percent
<b>Tourism total</b>						
Receipts	11586	11767	13134	12676	12231	-3.5
Expenses	9879	10175	10718	10557	10306	-2.4
Net	1707	1592	2416	2119	1925	
<b>Business and personal travel</b>						
Receipts	8158	8338	9100	8753	8347	-4.6
Expenses	8421	8698	9209	9042	8856	-2.1
Net	-263	-360	-109	-289	-509	
<b>Same-day and transit travel</b>						
Receipts	2263	2329	2778	2569	2832	10.2
Expenses	1051	1070	1102	1097	1431	30.5
Net	1213	1259	1676	1472	1401	
<b>Other tourism</b>						
Receipts	413	341	369	367	. <sup>3</sup>	.
Expenses	390	390	390	400	. <sup>3</sup>	.
Net	23	-49	-21	-33	. <sup>3</sup>	
<b>Consumption expenditure of cross-border workers</b>						
Receipts	751	759	887	988	1053	6.5
Expenses	17	17	18	19	19	3.2
Net	734	742	869	969	1033	
<b>Private insurance</b>						
Receipts	2277	2852	2441	1796	3730	107.7
Expenses	100	125	125	125	133	6.1
Net	2177	2727	2316	1671	3597	
<b>Merchanting</b>						
Receipts	1047	1362	1439	1292	1974	52.8
<b>Transportation total<sup>1</sup></b>						
Receipts	6300	6623	7664	7491	5046	-32.6
Expenses	5084	5239	5940	5477	4077	-25.6
Net	1216	1384	1724	2014	970	
<b>Passengers</b>						
Receipts	3185	3450	3952	4241	2822	-33.5
Expenses	2812	2824	3284	3278	2596	-20.8
Net	373	626	668	964	226	
<b>Freight</b>						
Receipts	1121	1082	1361	1077	750	-30.4
Expenses <sup>2</sup>	0	0	0	0	0	
Net	1121	1082	1361	1077	750	
<b>Other</b>						
Receipts	1994	2092	2351	2173	1474	-32.1
Expenses	2271	2415	2655	2199	1480	-32.7
Net	-277	-324	-304	-27	-6	

	1998	1999	2000	2001	2002	Changes against previous year
	millions of Swiss francs	millions of Swiss francs	millions of Swiss francs	revised millions of Swiss francs	provisional millions of Swiss francs	percent
<b>Postal, courier and telecommunications services</b>						
Receipts	903	1267	1485	1296	1283	-1.1
Expenses	1123	1229	1495	1561	1357	-13.1
Net	-220	38	-11	-265	-74	
<b>Other services total<sup>1</sup></b>						
Receipts	16643	18880	22614	22189	21526	-3.0
Expenses	2995	4368	4893	6909	7860	13.8
Net	13647	14512	17721	15280	13665	
<b>Financial services</b>						
Receipts	9975	11978	14607	12874	11317	-12.1
Expenses	733	845	1322	1099	924	-15.9
Net	9242	11132	13286	11775	10393	
<b>Technological services</b>						
Receipts	4328	4160	4846	5456	6755	23.8
Expenses	1940	3208	3250	5486	6624	20.7
Net	2388	953	1596	-31	131	
<b>Other services</b>						
Receipts	2340	2742	3160	3860	3453	-10.5
Expenses	323	315	321	324	312	-3.8
Net	2017	2427	2839	3536	3141	
<b>Total</b>						
Receipts	38755	42750	48776	46741	45790	-2.0
Expenses	19181	21136	23171	24629	23732	-3.6
Net	19574	21615	25604	22113	22057	

- 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.
- 3 Other tourism is included in same-day and transit travel since 2002.



# Labour income and investment income

## Higher labour income

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. Labour income from abroad mainly consists of the gross salaries of persons employed by international organisations in Switzerland. Labour income from abroad increased by 3% to Sfr 2 billion. Employees' remuneration to other countries consists mainly of salaries and wages paid to foreign cross-border commuters. As a result of the agreement on the free movement of persons forming part of the EU/Swiss bilateral treaties, the number of cross-border commuters grew. Salaries and wages paid to these commuters thus picked up by 7% to Sfr 11 billion.

## Net investment income markedly lower

Income on Swiss investment abroad diminished by more than one-fourth to Sfr 63 billion. Payments relating to foreign investment in Switzerland were down by a third to Sfr 35 billion. The traditional income surplus declined by Sfr 7 billion to Sfr 27 billion.

## Lower earnings from portfolio and direct investment

Earnings from portfolio investment abroad receded by 7% to Sfr 23 billion. Earnings from direct investment abroad now were down to Sfr 19 billion from Sfr 32 billion in the previous year. This was due mainly to poor corporate results of Swiss subsidiaries abroad in 2002. Retained profits thus recorded a minus of Sfr 7 billion.

## Higher surplus from banks' interest-related operations

The Swiss banks' expenses from interest operations with foreign banks and customers decreased much more significantly than receipts. Net interest income from abroad thus grew vigorously, after having shrunk during the four previous years. Since investment of fiduciary funds abroad diminished and interest rates continued their downward slide, the respective income contracted considerably. Due to lower interest rates, income from the SNB's foreign exchange holdings also fell short of their year-earlier level.

## Lower payments on foreign investment in Switzerland

Interest and dividend payments on foreign portfolio investment in Switzerland fell by 16% to Sfr 12 billion. Payments relating to foreign direct investment in Switzerland dropped by more than one-third to Sfr 8 billion. Since foreign subsidiaries in Switzerland had suffered severe profit setbacks in 2001, dividend distributions decreased by one-third in 2002. Retained profits stagnated at the low year-earlier level.

## 5 Labour income and investment income

	1998	1999	2000	2001	2002	Changes against previous year
	millions of Swiss francs	millions of Swiss francs	millions of Swiss francs	revised millions of Swiss francs	provisional millions of Swiss francs	percent
<b>Labour income</b>						
Receipts	1569	1623	1679	1984	2035	2.6
Expenses	8012	8097	9460	10538	11229	6.6
Net	-6443	-6475	-7781	-8554	-9193	
<b>Investment income total</b>						
Receipts	65016	73651	102375	87709	62537	-28.7
Expenses	32655	36666	57556	53675	35443	-34.0
Net	32360	36985	44819	34033	27094	
<b>Portfolio investment</b>						
Receipts	17919	21687	24509	24605	22941	-6.8
Expenses	7991	9915	12042	13724	11577	-15.6
Net	9928	11772	12467	10881	11364	
<b>Direct investment</b>						
Receipts	26134	34931	44103	31531	18864	-40.2
Expenses	11674	15674	17761	12836	8339	-35.0
Net	14460	19257	26342	18695	10525	
<b>Other investment</b>						
Receipts	20962	17033	33763	31573	20731	-34.3
Expenses	12991	11077	27753	27115	15527	-42.7
Net	7972	5956	6010	4458	5205	
<b>of which banks' interest business</b>						
Receipts	16243	12911	29018	27464	17613	-35.9
Expenses	12948	11039	27711	27075	15469	-42.9
Net	3295	1872	1307	389	2144	
<b>Total</b>						
Receipts	66584	75273	104054	89692	64572	-28.0
Expenses	40667	44763	67016	64213	46672	-27.3
Net	25917	30510	37037	25480	17900	

## Current transfers

### **Stable receipts...**

At Sfr 17 billion, current transfers from abroad slightly exceeded those of the previous year in 2002. Private transfers, which largely represent premium income of private insurance companies, stagnated at the previous year's level. Transfers by the public sector include, on the one hand, higher income of the social security schemes and, on the other, lower tax receipts and duties from abroad.

### **...and expenses**

Current transfers abroad amounted to Sfr 23 billion, the same as in the previous year. Private transfers saw a decline in insurance claims payments to other countries. However, transfers by foreign personnel resident in Switzerland (persons with permanent residence and annual work permits, and seasonal workers) only increased slightly. Public-sector payments mounted by 5% to Sfr 7 billion. State expenditure for foreign aid and remittances to international organisations rose significantly. Social security transfers in the form of pensions and refunds of contributions to other countries registered a year-on-year increase as well, however.

## 6 Current transfers

	1998	1999	2000	2001	2002	Changes against previous year
	millions of Swiss francs	millions of Swiss francs	millions of Swiss francs	revised millions of Swiss francs	provisional millions of Swiss francs	percent
<b>Private transfers total<sup>1</sup></b>						
Receipts	406	7669	7074	11858	12264	3.4
Expenses	3458	11585	10327	16775	16488	-1.7
of which immigrants' remittances	2811	2837	2876	3070	3145	2.4
Net	-3052	-3916	-3253	-4917	-4224	
<b>Public transfers total</b>						
Receipts	3633	3804	4502	4565	4407	-3.5
Expenses	5918	6069	6191	6370	6696	5.1
Net	-2284	-2265	-1689	-1805	-2289	
<b>Social security</b>						
Receipts	1318	1329	1500	1692	1806	6.7
Expenses	4101	4176	4247	4565	4682	2.6
Net	-2783	-2848	-2747	-2872	-2877	
<b>General Government</b>						
Receipts	2316	2475	3002	2873	2601	-9.5
Expenses	1817	1892	1943	1805	2014	11.6
Net	499	583	1059	1067	587	
<b>Total</b>						
Receipts	4039	11473	11576	16423	16670	1.5
Expenses	9376	17653	16517	23145	23184	0.2
Net	-5336	-6180	-4942	-6722	-6513	

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

## Shift of capital flows into short-term investments

In 2002, financial flows were affected by a worldwide slowdown in investment activity. Investors were reacting to modest economic growth and poor corporate results. The growing geopolitical tension towards the end of the year also served to exacerbate the investment climate. In this environment investments were predominantly short-term. However, portfolio investment and direct investment (the latter being determined largely by long-term considerations), plummeted from the previous year's level. An exception was the rise in foreign portfolio investment in Switzerland, which benefited from the higher demand for Swiss franc investment. In 2002, cross-border investments were effected predominantly in US dollars. Net capital export diminished from Sfr 60 billion a year previously to Sfr 54 billion.

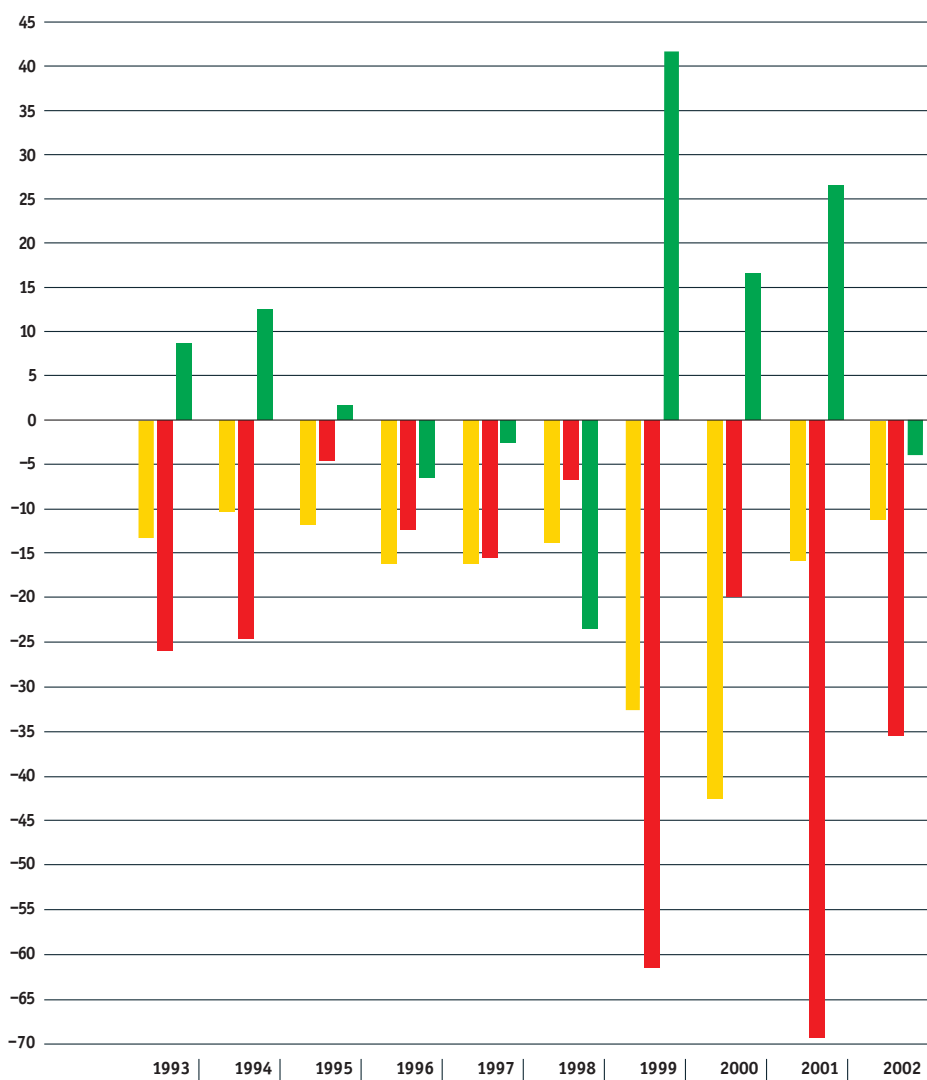
- █ Direct investment, net
- █ Portfolio investment, net
- █ Other investment, net

The minus sign (-) indicates a net capital export.

### Financial account, net

excluding international reserves, in billions of Swiss francs

Graph 6



## Direct investment

At Sfr 16 billion, Swiss capital outflows for direct investment abroad were only half the previous year's volume in 2002. Since 2000, when cross-border acquisitions reached their peak, they have even declined by almost 80%. Direct investment abroad has thus dwindled to a level last seen in 1995. Direct investment is effected either by acquiring participations, by extending loans to subsidiaries or by means of retained profits (reinvested earnings) of subsidiaries. In 2002, these three components showed extremely irregular development. Acquisitions totalled Sfr 24 billion, slightly topping the previous year's level. Lending accounted for capital imports amounting to one billion Swiss francs. Retained profits exhibited a negative balance of Sfr 7 billion, attributable to losses posted by foreign subsidiaries in the banking and insurance sector.

In 2002, the manufacturing sector accounted for the bulk of direct investment abroad, namely Sfr 15 billion. In each of the four previous years, by contrast, the service sector had invested considerably more than the manufacturing sector. In the manufacturing sector, the leading investors in 2002 were the chemical industry with Sfr 4 billion and the "other industries" group with Sfr 9 billion. During the same period, investment in the service sector plunged from Sfr 18 billion the year before to Sfr 1 billion. Finance and holding companies slashed their investment. The transport sector, insurance companies and the "other services" category disinvested abroad on balance in 2002. These sectors had been conspicuous for large-scale foreign direct investment in the second half of the nineties.

Direct investment in the EU dropped from Sfr 11 billion to Sfr 7 billion. Of this amount, Sfr 3 billion was invested in Sweden and Sfr 2 billion each in the Netherlands and Belgium. Swiss investors withdrew capital totalling Sfr 3 billion from Luxembourg. Direct investment in the US decreased from Sfr 9 billion to Sfr 4 billion. The decline is due to capital reduction in the financial sector. Capital exports to most of the other regions also diminished. Only in Asia's newly industrialised countries, the EFTA countries and Central and Eastern Europe was more invested than in the previous year. Investments in Central and Eastern Europe were concentrated chiefly in countries due to join the EU next year.

Foreign direct investment in Switzerland totalled Sfr 5 billion, the lowest level since 1996. A year ago, it had amounted to Sfr 15 billion, two years ago to as much as Sfr 33 billion. The reduction is due to the strong decline in acquisitions in Switzerland. At Sfr 1 billion, reinvested earnings remained at the previous year's level. Intra-group lending accounted for capital imports totalling Sfr 3 billion, as against capital exports amounting to Sfr 2 billion in the year before.

Capital imports flowed almost exclusively into the service sector. Finance and holding companies as well as trading companies recorded the biggest inflows of Sfr 3 billion and Sfr 1 billion respectively. Withdrawals from the insurance sector amounted to Sfr 1 billion. The various branches of manufacturing either recorded small inflows only (chemicals and electronics) or disinvestment (metals and machines and other manufacturing).

The breakdown by country evidences a steep fall in direct investment from the EU and Japan. Individual EU countries developed unevenly. On the one hand, direct investment capital of Sfr 2 billion flowed into Switzerland from France, and just under Sfr 1 billion each from the United Kingdom, Luxembourg

**Swiss direct investment abroad halved**

**Shifting of direct investment from the service sector to the manufacturing sector**

**Investment contracting, especially in the US**

**Foreign direct investment in Switzerland at a low ebb**

**Almost exclusively direct investment in the service sector**

**Dramatically lower investment from the EU**

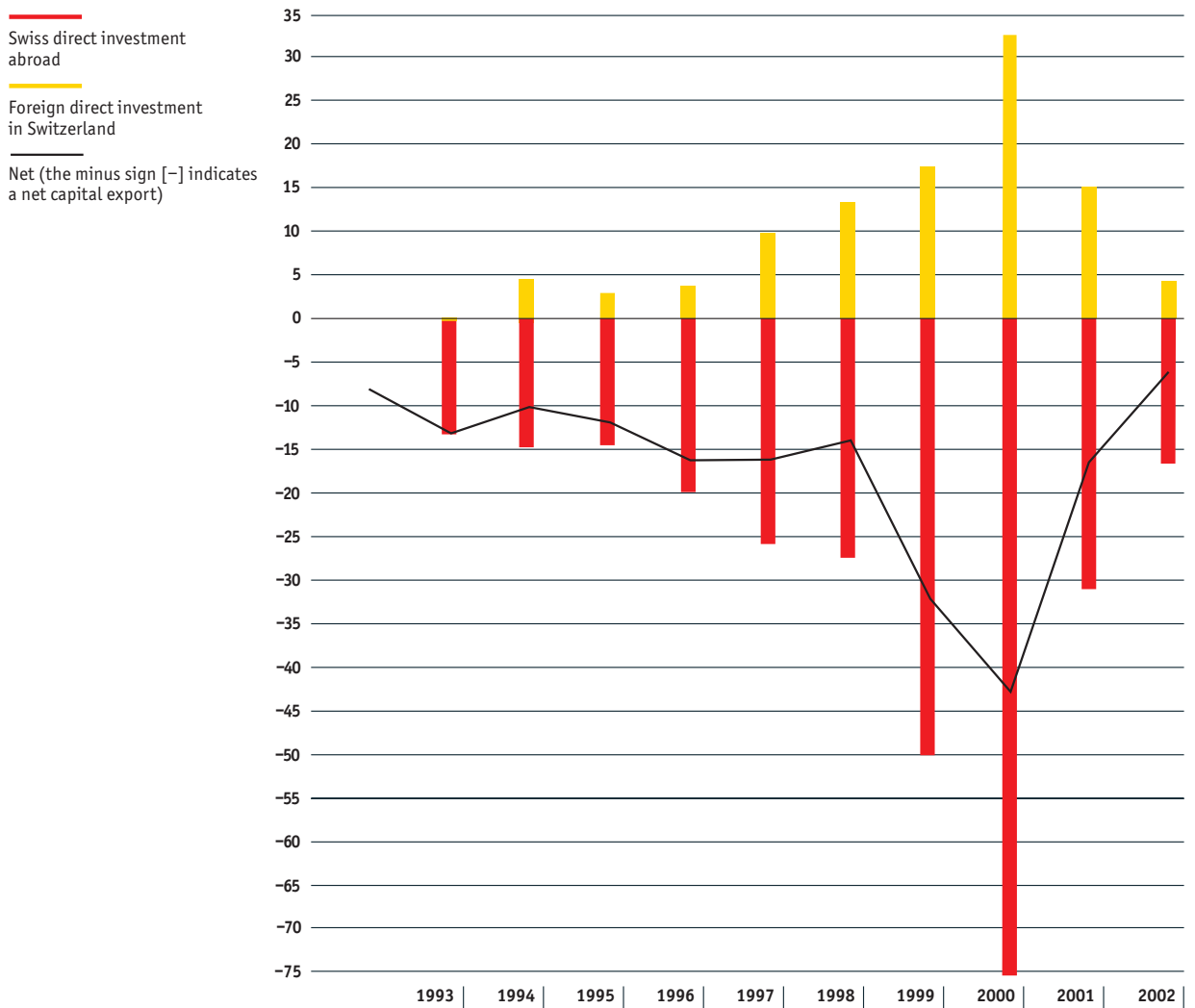
**Fall-off in net capital exports**

and the Netherlands. On the other hand, investors from Germany, Belgium and Denmark withdrew funds from Switzerland. Already in the previous year German investors had disinvested in Switzerland. The US invested Sfr 2 billion, i.e. Sfr 1 billion less than in 2001.

The net capital export resulting from the flow of funds for direct investment abroad and direct investment in Switzerland contracted by Sfr 5 billion to Sfr 11 billion.

**Direct investment total** in billions of Swiss francs

Graph 7

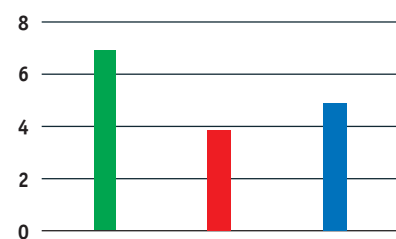


## 7.1 Swiss direct investment abroad: breakdown by economic activity<sup>1</sup>

	1998	1999	2000	2001 revised	2002 provisional
<b>Capital exports<sup>2</sup> in millions of Swiss francs</b>					
<b>Manufacturing</b>	<b>9640</b>	<b>9477</b>	<b>23726</b>	<b>12668</b>	<b>14802</b>
Textiles and clothing	623	395	-90	-279	12
Chemicals and plastics	5156	6430	17695	2283	4216
Metals and machinery	1421	659	173	4797	743
Electronics, energy, optical and watchmaking industries	-890	1007	2395	2278	971
Other manufacturing and construction	3329	986	3555	3588	8859
<b>Services</b>	<b>17569</b>	<b>40509</b>	<b>51720</b>	<b>18213</b>	<b>892</b>
Trade	2376	2805	-656	825	1935
Finance and holding companies	6559	14067	4813	7963	1986
of which foreign-controlled <sup>3</sup>	3870	11480	2519	7038	535
Banks	-321	6082	31059	-928	-1
Insurance	8034	9910	14042	7493	-516
Transportation and communications	859	3524	196	1521	-1384
Other services	62	4121	2266	1339	-1128
<b>Total</b>	<b>27209</b>	<b>49986</b>	<b>75446</b>	<b>30881</b>	<b>15693</b>

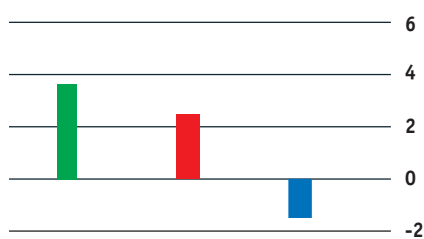
- 1 The breakdown by sector and by economic activity refers to the company's core business in Switzerland.
- 2 The minus sign (-) indicates a return flow of capital into Switzerland (disinvestment).
- 3 An enterprise is considered to be a foreign-controlled enterprise if a majority share of its capital is in foreign hands.

Direct investment 2002 by economic area



Swiss direct investment abroad  
in billions of Swiss francs

Graph 8



Foreign direct investment in Switzerland  
in billions of Swiss francs



## 7.2 Swiss direct investment abroad: breakdown by country<sup>1</sup>

	1998	1999	2000	2001 revised	2002 provisional
<b>Capital exports<sup>2</sup> in millions of Swiss francs</b>					
<b>1. Europe and extra-European industrial countries</b>	<b>16090</b>	<b>38128</b>	<b>63693</b>	<b>22840</b>	<b>13591</b>
<b>EU</b>	<b>10154</b>	<b>21359</b>	<b>23537</b>	<b>10561</b>	<b>7058</b>
Belgium	349	1179	4429	-561	1722
Denmark	-31	280	-167	-30	66
Germany	889	5799	-1113	5419	297
Finland	224	126	263	145	-29
France <sup>3</sup>	333	827	-933	-1581	1109
Greece	205	179	355	163	244
Ireland	-54	5446	1303	-4713	143
Italy	-197	192	-222	1958	1046
Luxembourg	1651	-47	3440	7825	-2847
Netherlands	1003	1716	3227	-632	1530
Austria	344	515	100	395	421
Portugal	-69	561	1594	263	-25
Sweden	844	-656	328	-170	3006
Spain	377	-545	97	1379	455
United Kingdom <sup>4</sup>	4287	5788	10836	702	-80
<b>EFTA</b>	<b>-93</b>	<b>362</b>	<b>-1208</b>	<b>242</b>	<b>791</b>
<b>Central and Eastern Europe</b>	<b>1175</b>	<b>1174</b>	<b>1095</b>	<b>1583</b>	<b>1708</b>
of which					
Croatia	70	-44	16	21	7
Poland	208	473	586	202	-175
Russian Federation	335	599	-7	696	129
Slovakia	21	38	13	9	52
Czech Republic	356	-64	183	275	57
Hungary	-76	100	77	170	24
<b>Other European countries<sup>5</sup></b>	<b>-449</b>	<b>744</b>	<b>5954</b>	<b>-30</b>	<b>135</b>
of which					
Turkey	296	-95	-242	-158	281
<b>North America</b>	<b>4458</b>	<b>13640</b>	<b>34232</b>	<b>10014</b>	<b>4255</b>
Canada	1232	83	553	687	356
United States	3226	13557	33678	9327	3899
<b>Other extra-European industrial countries</b>	<b>845</b>	<b>850</b>	<b>83</b>	<b>470</b>	<b>-356</b>
Australia	572	322	-267	-67	299
Japan	124	628	336	465	-437
New Zealand	11	-215	-3	18	-10
South Africa	138	116	18	54	-209

1 The definition of countries is based on the Eurostat nomenclature.

2 The minus sign (-) indicates a return flow of capital into Switzerland (disinvestment).

3 Since 2000 incl. Monaco, Réunion, French Guiana, Guadeloupe and Martinique.

4 Until 1999 incl. Guernsey, Jersey and the Isle of Man.

5 Since 2000 incl. Guernsey, Jersey and the Isle of Man, excl. Monaco.

6 Anguilla, Bahamas, Barbados, Bermuda, Virgin Islands (British), Jamaica, Cayman Islands, Montserrat, Netherlands Antilles, Panama, St Kitts and Nevis; since 2000 incl. Virgin Islands (US), Antigua and Barbuda, Belize, Dominica, Grenada, St Lucia, St Vincent and the Grenadines, Turks and Caicos Islands.

	1998	1999	2000	2001 revised	2002 provisional
<b>Capital exports<sup>2</sup> in millions of Swiss francs</b>					
<b>2. Emerging economies</b>	<b>6932</b>	<b>6244</b>	<b>2014</b>	<b>802</b>	<b>213</b>
<b>Asia</b>	<b>5689</b>	<b>4949</b>	<b>838</b>	<b>359</b>	<b>959</b>
Hong Kong	447	665	-63	249	-203
Korea (South)	283	179	184	86	-9
Malaysia	102	227	-25	72	-34
Philippines	1169	57	313	98	-21
Singapore	3173	3811	222	-388	1050
Taiwan	121	92	160	34	5
Thailand	395	-82	46	206	171
<b>Central and South America</b>	<b>1243</b>	<b>1295</b>	<b>1177</b>	<b>443</b>	<b>-747</b>
Argentina	321	-103	48	471	-463
Brazil	446	844	246	-806	-497
Chile	-178	17	-27	-163	1
Mexico	654	537	910	941	212
<b>3. Developing countries</b>	<b>4187</b>	<b>5614</b>	<b>9739</b>	<b>7239</b>	<b>1890</b>
<b>Asia</b>	<b>441</b>	<b>-21</b>	<b>251</b>	<b>630</b>	<b>-10</b>
of which					
China (People's Republic)	123	-143	212	180	-28
India	29	-59	-43	139	79
Indonesia	90	10	-22	156	35
Lebanon	-2	-13	-143	12	17
Pakistan	-17	7	59	42	18
Saudi Arabia	-2	60	-83	-6	7
United Arab Emirates	11	19	85	55	-64
Viet-Nam	-2	-18	-33	-19	-43
<b>Central and South America</b>	<b>3645</b>	<b>5343</b>	<b>9233</b>	<b>6535</b>	<b>1965</b>
of which					
Costa Rica	-26	0	-17	13	17
Ecuador	10	20	23	55	42
Guatemala	-4	22	-97	-8	19
Colombia	387	115	-109	-70	-111
Peru	-25	47	57	36	-12
Uruguay	284	291	299	90	155
Venezuela	61	11	127	176	-239
Offshore financial centres <sup>6</sup>	2991	4703	8794	6379	1513
<b>Africa</b>	<b>102</b>	<b>293</b>	<b>255</b>	<b>74</b>	<b>-65</b>
of which					
Egypt	57	93	11	82	48
Côte d'Ivoire	51	-26	-47	-20	-90
Morocco	-12	2	-30	37	23
Nigeria	5	-7	4	8	3
<b>All countries</b>	<b>27209</b>	<b>49986</b>	<b>75446</b>	<b>30881</b>	<b>15693</b>

## 8.1 Foreign direct investment in Switzerland: breakdown by economic activity<sup>1</sup>

	1998	1999	2000	2001 revised	2002 provisional
<b>Capital imports<sup>2</sup> in millions of Swiss francs</b>					
<b>Manufacturing</b>	<b>3069</b>	<b>2944</b>	<b>16380</b>	<b>-1728</b>	<b>358</b>
Chemicals and plastics	3029	361	3119	271	212
Metals and machinery	28	-710	7992	-39	-175
Electronics, energy, optical and watchmaking industries	-55	2312	3239	-2441	362
Other manufacturing and construction	69	983	2030	481	-40
<b>Services</b>	<b>9894</b>	<b>14659</b>	<b>16139</b>	<b>16773</b>	<b>4184</b>
Trade	971	1750	2231	675	828
Finance and holding companies	5165	5520	5156	5661	3441
Banks	2253	65	2626	2545	73
Insurance	1220	4707	1917	1721	-1409
Transportation and communications	66	1853	3552	6177	747
Other services	218	764	656	-6	505
<b>Total</b>	<b>12963</b>	<b>17603</b>	<b>32519</b>	<b>15045</b>	<b>4542</b>

1 The breakdown by sector 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).

## 8.2 Foreign direct investment in Switzerland: breakdown by country<sup>1</sup>

	1998	1999	2000	2001 revised	2002 provisional
<b>Capital imports<sup>2</sup> in millions of Swiss francs</b>					
<b>1. Europe and extra-European industrial countries</b>	<b>11763</b>	<b>17459</b>	<b>31355</b>	<b>14701</b>	<b>4663</b>
<b>EU</b>	<b>5625</b>	<b>9224</b>	<b>12939</b>	<b>11484</b>	<b>3469</b>
of which					
Belgium	-50	177	226	169	-267
Denmark	27	-52	873	1840	-108
Germany	2715	2907	4022	-1432	-568
France <sup>3</sup>	-393	615	587	938	2235
Italy	1584	476	1954	299	132
Luxembourg	505	431	2852	894	609
Netherlands	1612	-1183	538	7505	346
Austria	38	114	266	23	47
Sweden	75	-1	62	-48	235
Spain	-113	475	102	50	32
United Kingdom <sup>4</sup>	-378	5238	1330	1219	869
<b>EFTA</b>	<b>0</b>	<b>3</b>	<b>30</b>	<b>-26</b>	<b>133</b>
<b>Other European countries<sup>5</sup></b>	<b>22</b>	<b>23</b>	<b>52</b>	<b>53</b>	<b>-1011</b>
of which					
Turkey	22	23	26	1	20
<b>North America</b>	<b>6509</b>	<b>9669</b>	<b>18443</b>	<b>2869</b>	<b>2278</b>
Canada	-55	-189	7832	-454	-148
United States	6564	9858	10611	3323	2426
<b>Other extra-European industrial countries</b>	<b>-383</b>	<b>-1464</b>	<b>-80</b>	<b>313</b>	<b>-208</b>
of which					
Japan	-457	-1509	-37	278	-255
<b>2. Emerging economies</b>	<b>-10</b>	<b>-11</b>	<b>814</b>	<b>181</b>	<b>12</b>
<b>3. Developing countries</b>	<b>1211</b>	<b>155</b>	<b>351</b>	<b>162</b>	<b>-133</b>
<b>Asia</b>	<b>-47</b>	<b>44</b>	<b>20</b>	<b>22</b>	<b>-222</b>
of which					
Israel	36	36	-8	14	-310
<b>Central and South America</b>	<b>1255</b>	<b>109</b>	<b>322</b>	<b>136</b>	<b>85</b>
<b>Africa</b>	<b>3</b>	<b>3</b>	<b>9</b>	<b>5</b>	<b>5</b>
<b>All countries</b>	<b>12963</b>	<b>17603</b>	<b>32519</b>	<b>15045</b>	<b>4542</b>

1 The definition of countries is based on the Eurostat geonomenclature.

2 The minus sign (-) indicates an outflow of capital from Switzerland (disinvestment).

3 Since 2000 incl. Monaco, Réunion, French Guiana, Guadeloupe and Martinique.

4 Until 1999 incl. Guernsey, Jersey and the Isle of Man.

5 Since 2000 incl. Guernsey, Jersey and the Isle of Man, excl. Monaco.

# Portfolio investment

**Declining interest rates and falling equity prices abroad and...**

In 2002, developments on the international financial markets were characterised by declining interest rates, falling equity prices and a reduction in securities issues. Equity prices lost ground on all major stock markets. Net borrowing in the international financial markets decreased once more, with the euro again gaining market shares to the detriment of the pound and the yen. The export-weighted external value of the Swiss franc rose by 5% in nominal terms and by 3.5% in real terms in 2002.

**...in Switzerland**

The domestic financial market followed a similar course. Equity prices declined further in almost all sectors of the economy. As short-term interest rates retreated, long-term interest rates also moved downward. Other than in the international financial markets, net borrowing on the Swiss capital market rose as a result of publicly floated shares and bonds. This rise was triggered by increased net issuing of Swiss franc bonds by foreign borrowers. Borrowing by domestic issuers declined markedly; on the equity market, due to reductions in capital by the big banks, redemptions exceeded new issues.

**Portfolio investment abroad one-third lower**

Swiss portfolio investment abroad, which represents net purchases of securities of foreign issuers, fell by approximately one-third to Sfr 47 billion. The decline is mainly due to lower investment by the banks. Due to the equity slump, it is not surprising that approximately three-quarters of the funds were channelled into fixed-interest securities. Purchases of equities totalled only Sfr 12 billion. In 2000, investors had bought equities to the record amount of Sfr 34 billion. In the debt instruments category, the euro was the major investment currency in 2002, followed by the US dollar and the Swiss franc, whereas for equities the US dollar dominated.

**Higher portfolio investment in Switzerland**

Foreign portfolio investment, which comprises net purchases of domestic issuers' securities by foreign investors, totalled Sfr 11 billion in 2002, exceeding the year-earlier level by Sfr 8 billion. For the most part, Swiss franc denominated paper was bought. Equities of Swiss enterprises accounted for approximately three-quarters of the total funds following net sales to the amount of Sfr 5 billion in 2001. Investment funds under Swiss management sustained a net withdrawal of funds compared with investments amounting to Sfr 8 billion in the previous year. In addition to shares, foreign investors acquired money market paper worth close to Sfr 3 billion.

## 9 Portfolio investment: breakdown by securities<sup>1</sup> in millions of Swiss francs

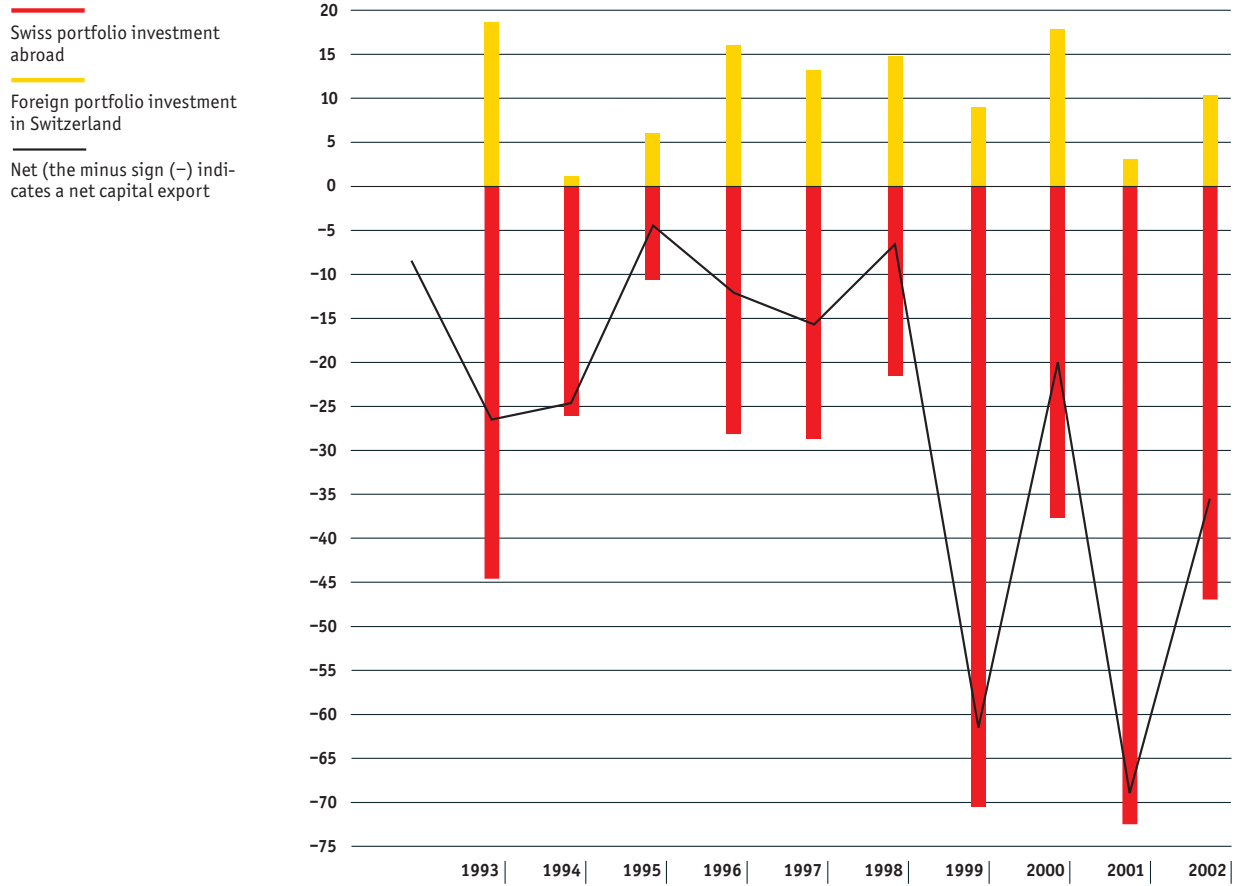
	1998	1999	2000	2001	2002
<b>Swiss portfolio investment abroad</b>	<b>-21576</b>	<b>-70360</b>	<b>-37676</b>	<b>-72299</b>	<b>-46624</b>
Debt securities	-17909	-44072	-3354	-47055	-34750
Bonds and notes	-17800	-39825	-1709	-39287	-29556
Money market paper <sup>2</sup>	-109	-4247	-1645	-7767	-5194
Equity securities	-3667	-26288	-34322	-25244	-11874
Shares	n/a	-16520	-21805	-12688	-6846
Investment funds	n/a	-9768	-12517	-12556	-5028
<b>Foreign portfolio investment in Switzerland</b>	<b>14856</b>	<b>8853</b>	<b>17813</b>	<b>3199</b>	<b>11414</b>
Debt securities	2341	607	2478	82	2623
Bonds and notes	2341	501	2273	-771	-3
Public sector	1476	-153	1069	2364	-209
Other	865	654	1204	-3135	206
Money market paper	n/a	106	205	853	2626
Equity securities	12515	8246	15335	3117	8791
Shares	5946	876	8194	-5048	8935
Investment funds	6569	7370	7141	8165	-144
<b>Net</b>	<b>-6720</b>	<b>-61507</b>	<b>-19863</b>	<b>-69100</b>	<b>-35210</b>

1 The minus sign (-) indicates a capital export.

2 Until 1998, money market paper only included acquisitions by banks.  
n/a no data available

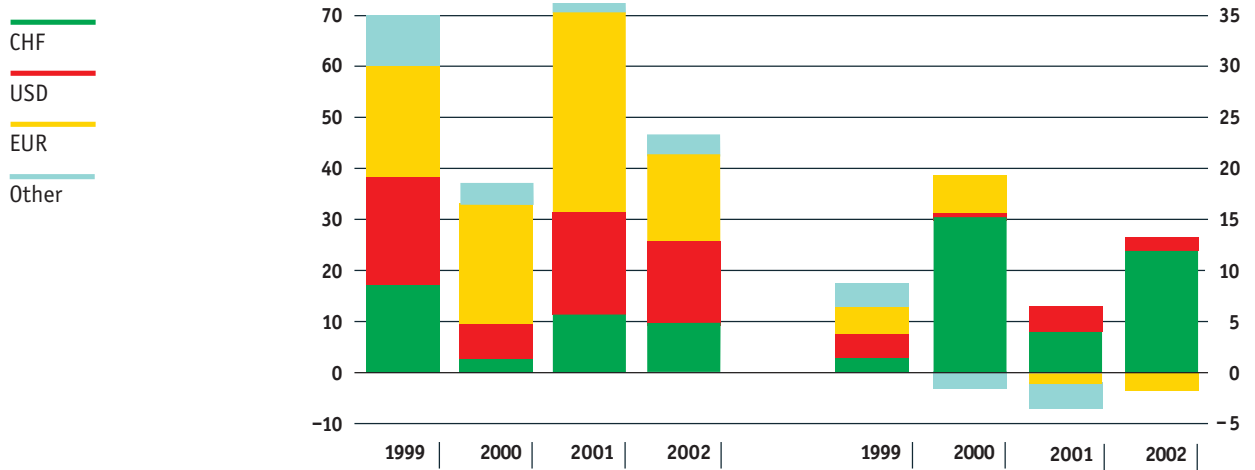
Portfolio investment total in billions of Swiss francs

Graph 9



Portfolio investment by currency

Graph 10



**Swiss portfolio investment abroad**  
in billions of Swiss francs  
The minus sign (-) indicates a return of capital into Switzerland (disinvestment).

**Foreign portfolio investment in Switzerland**  
in billions of Swiss francs  
The minus sign (-) indicates an outflow of capital from Switzerland (disinvestment).

## Other investment

### Commercial bank lending

The Swiss banks (domestic offices) invested Sfr 94 billion with foreign banks and accepted funds from banks abroad totalling Sfr 49 billion. In net terms, Sfr 45 billion thus flowed into other countries via the interbank market. This is the highest outflow ever recorded. In the previous year, the banks had imported net funds totalling Sfr 13 billion via the interbank market. The massive outflow of funds shows that the banks held considerable liquid funds in 2002, a large part of which they invested in the international money market.

The banks' lending business with foreign non-banks declined once more. Foreign customers repaid net loans to the amount of Sfr 3 billion (previous year: Sfr 4 billion). In the customer deposits category, the banks recorded an inflow of Sfr 10 billion from abroad, compared with Sfr 1 billion a year earlier.

Interbank business was for the most part transacted in US dollars. In lending and deposit business with non-banks, Swiss franc transactions predominated.

**Large-scale outflows of funds via the interbank market**

**Higher inflows of funds from foreign customers**

**Interbank business in US dollars – business transactions with non-banks in Swiss francs**

### 10.1 Breakdown of commercial bank lending by balance sheet position<sup>1</sup> in billions of Swiss francs

	1998	1999	2000	2001 revised	2002 provisional
<b>Claims abroad</b>	<b>-66.0</b>	<b>-116.1</b>	<b>-140.4</b>	<b>46.5</b>	<b>-91.1</b>
Claims on banks	-61.1	-106.4	-123.6	42.5	-93.9
long-term	-4.8	-10.7	-5.3	17.0	-3.4
short-term	-56.3	-95.7	-118.3	25.5	-90.6
Other claims	-4.8	-9.7	-16.8	4.0	2.8
<b>Liabilities abroad</b>	<b>49.3</b>	<b>143.6</b>	<b>151.4</b>	<b>-27.9</b>	<b>58.7</b>
Liabilities vis-à-vis banks	39.2	134.6	159.3	-29.1	48.8
long-term	8.5	14.2	-2.4	-15.1	-0.7
short-term	30.7	120.5	161.6	-14.0	49.5
Other liabilities	10.1	9.0	-7.8	1.2	9.9
long-term	1.1	0.2	-1.2	2.3	2.0
short-term	9.1	8.8	-6.6	-1.2	7.9
<b>Net</b>	<b>-16.7</b>	<b>27.5</b>	<b>11.0</b>	<b>18.5</b>	<b>-32.5</b>
Bank credits	-21.9	28.2	35.7	13.4	-45.2
Other credits	5.3	-0.7	-24.6	5.2	12.7

<sup>1</sup> The minus sign (-) indicates a capital export.



## 10.2 Breakdown of commercial bank lending by currency<sup>1</sup> in billions of Swiss francs

	1998	1999	2000	2001 revised	2002 provisional
<b>Claims abroad</b>	<b>-66,0</b>	<b>-116.1</b>	<b>-140.4</b>	<b>46.5</b>	<b>-91.1</b>
CHF	3.2	9.8	-5.3	-5.2	-10.5
USD	4.8	-62.8	-32.7	24.6	-113.9
EUR (as from 1999)		-55.3	-27.7	1.8	-13.7
DEM (until 1998)	-13.6				
Other currencies	-49.3	-6.5	-78.0	26.4	47.9
All currencies	-54.9	-114.8	-143.7	47.7	-90.2
Precious metals and, until 1998, securities lending	-11,0	-1.4	3.3	-1.2	-0.9
<b>Liabilities abroad</b>	<b>49.3</b>	<b>143.6</b>	<b>151.4</b>	<b>-27.9</b>	<b>58.7</b>
CHF	0.4	7.0	-0.7	9.3	-17.4
USD	22.2	45.2	42.8	9.9	83.6
EUR (as from 1999)		57.6	14.5	25.6	20.4
DEM (until 1998)	1.2				
Other currencies	13.2	33.5	96.1	-73.2	-26.5
All currencies	37,0	143.3	152.7	-28.5	60.2
Precious metals and, until 1998, securities lending	12.3	0.3	-1.3	0.5	-1.5
<b>Net</b>	<b>-16.7</b>	<b>27.5</b>	<b>11.0</b>	<b>18.5</b>	<b>-32.5</b>
CHF	3.6	16.8	-6.0	4.1	-28.0
USD	27,0	-17.6	10.0	34.5	-30.3
EUR (as from 1999)		2.3	-13.2	27.3	6.7
DEM (until 1998)	-12.3				
Other currencies	-36.2	27.0	18.2	-46.8	21.5
All currencies	-17.9	28.5	9.1	19.2	-30.1
Precious metals and, until 1998, securities lending	1.3	-1.1	2.0	-0.7	-2.4

<sup>1</sup> The minus sign (-) indicates a capital export.

### **Corporate lending**

Cross-border lending by Swiss enterprises (excluding loans to associated enterprises classified under direct investment) declined by Sfr 1 billion to Sfr 11 billion from the previous year's level. The vast majority of loans were accounted for by the insurance sector and the chemical industry and were extended mainly in US dollars. Conversely, enterprises repaid liabilities totalling Sfr 1 billion to creditors abroad, compared with borrowing to the amount of Sfr 3 billion in the previous year. These repayments were made predominantly by finance and holding companies. Net outflows abroad in this category thus amounted to Sfr 12 billion.

### **High net outflow abroad**

# International reserves

## Expansion of international reserves

In 2002, the National Bank expanded its international reserves by Sfr 3.7 billion, compared with Sfr 1.1 billion a year earlier. It increased its foreign exchange reserves by Sfr 3.8 billion. The reserve position in the IMF rose by Sfr 0.3 billion, while international payment instruments were reduced by Sfr 0.3 billion.

## Liquidation of yen investments

Growth was recorded for investments in euros, US dollars, pounds sterling, Danish kroner and Canadian dollars. Yen-denominated investments were liquidated. Gold sales to the private sector effected in 2002 (demonetisation of gold) are not shown under international reserves (cf. box).

### Accounting method for the National Bank's gold sales

With the Federal law on currency and payment instruments having entered 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 constitute a so-called demonetisation of gold. Sales abroad are not treated as part of the international reserves (currency reserves) category in the balance of payments; they figure as "other investments" under exports of precious metals. International reserves only include gold transactions for currency 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 receipts, capital transfers from abroad, capital imports) and the debit entries (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 practice, however, receipts and expenditures as a rule do not correspond since in many cases only one side has been statistically recorded. If, for example, the acquisition of an enterprise abroad is shown under direct investment while at the same time the respective flow of payments is not recorded, the missing value is shown under the "residual item" heading. In case of a surplus on the credit side, the residual item carries a negative sign, in the contrary case, a plus sign.

In 2002, the balance of payments recorded a (positive) residual item of Sfr 18 billion. In the previous year, the residual item had amounted to Sfr 21 billion.

### Positive residual item

## 11 Components of the balance of payments<sup>1</sup> in millions of Swiss francs

	1998	1999	2000	2001 revised	2002 provisional
<b>I. Current account net pos. A-D</b>	37826	45669	53484	36220	38606
<b>A. Goods net</b>	-2329	-276	-4217	-4650	5162
Exports	118350	125166	143546	145905	143466
Special trade f.o.b.	109113	114446	126549	131717	130381
Electrical energy	2022	2069	1944	2963	2509
Other goods	7215	8651	15053	11225	10577
Imports	-120679	-125442	-147763	-150555	-138305
Special trade c.i.f.	-106866	-113416	-128615	-130052	-123125
Electrical energy	-1346	-1462	-1475	-1896	-1488
Other goods	-12467	-10564	-17673	-18607	-13692
<b>B. Services net</b>	19574	21615	25604	22113	22057
Receipts	38755	42750	48776	46741	45790
Tourism	11586	11767	13134	12676	12231
Private insurance	2277	2852	2441	1796	3730
Merchandising	1047	1362	1439	1292	1974
Transportation	6300	6623	7664	7491	5046
Postal, courier and telecommunications services	903	1267	1485	1296	1283
Other services	16643	18880	22614	22189	21526
of which financial services	9975	11978	14607	12874	11317
Expenses	-19181	-21136	-23171	-24629	-23732
Tourism	-9879	-10175	-10718	-10557	-10306
Private insurance	-100	-125	-125	-125	-133
Merchandising	n/a	n/a	n/a	n/a	n/a
Transportation	-5084	-5239	-5940	-5477	-4077
Postal, courier and telecommunications services	-1123	-1229	-1495	-1561	-1357
Other services	-2995	-4368	-4893	-6909	-7860
of which financial services	-733	-845	-1322	-1099	-924
<b>C. Labour income and investment income net</b>	25917	30510	37037	25480	17900
Receipts	66584	75273	104054	89692	64572
Labour income	1569	1623	1679	1984	2035
Investment income	65016	73651	102375	87709	62537
Portfolio investment	17919	21687	24509	24605	22941
Direct investment	26134	34931	44103	31531	18864
Other investment	20962	17033	33763	31573	20731
Expenses	-40667	-44763	-67016	-64213	-46672
Labour income	-8012	-8097	-9460	-10538	-11229
Investment income	-32655	-36666	-57556	-53675	-35443
Portfolio investment	-7991	-9915	-12042	-13724	-11577
Direct investment	-11674	-15674	-17761	-12836	-8339
Other investment	-12991	-11077	-27753	-27115	-15527

	1998	1999	2000	2001 revised	2002 provisional
<b>D. Current transfers<sup>2</sup> net</b>	-5336	-6180	-4942	-6722	-6513
Receipts	4039	11473	11576	16423	16670
Private transfers	406	7669	7074	11858	12264
Public transfers	3633	3804	4502	4565	4407
Expenses	-9376	-17653	-16517	-23145	-23184
Private transfers	-3458	-11585	-10327	-16775	-16488
Public transfers	-5918	-6069	-6191	-6370	-6696
<b>II. Capital transfers<sup>3</sup> net</b>	201	-773	-5976	2569	-1766
Transfers from abroad	1094	79	826	3903	424
Transfers abroad	-893	-852	-6803	-1334	-2190
<b>III. Financial account net E-H</b>	-45314	-49564	-39765	-59499	-54334
<b>E. Direct investment net</b>	-14247	-32384	-42926	-15836	-11152
Swiss direct investment abroad	-27209	-49986	-75445	-30881	-15694
Equity capital	-16949	-23835	-56012	-22407	-24297
Reinvested earnings	-7203	-18280	-16837	-4384	7305
Other capital	-3058	-7872	-2596	-4090	1298
Foreign direct investment in Switzerland	12962	17603	32519	15045	4542
Equity capital	5093	7577	19883	15879	1162
Reinvested earnings	6501	9708	10985	971	734
Other capital	1368	318	1651	-1805	2647
<b>F. Portfolio investment net</b>	-6720	-61507	-19863	-69100	-35210
Swiss portfolio investment abroad	-21576	-70360	-37676	-72299	-46624
Debt securities	-17909	-44072	-3354	-47055	-34750
Bonds and notes	-17800	-39825	-1709	-39287	-29556
Money market instruments	-109	-4247	-1645	-7767	-5194
Equity securities	-3667	-26288	-34322	-25244	-11874
Shares	n/a	-16520	-21805	-12688	-6846
Investment funds	n/a	-9768	-12517	-12556	-5028
Foreign portfolio investment in Switzerland	14856	8853	17813	3199	11414
Debt securities	2341	607	2478	82	2623
Bonds and notes	2341	501	2273	-771	-3
Money market instruments	n/a	106	205	853	2626
Equity securities	12515	8246	15335	3117	8791
Shares	5946	876	8194	-5048	8935
Investment funds	6569	7370	7141	8165	-144

	1998	1999	2000	2001 revised	2002 provisional
<b>G. Other investment net</b>	-23240	41503	16365	26528	-4228
<b>Commercial bank lending net</b>	-16658	27501	11031	18524	-32460
Claims abroad	-65951	-116096	-140407	46454	-91131
Claims on banks	-61132	-106364	-123611	42479	-93927
long-term	-4823	-10700	-5299	16986	-3362
short-term	-56309	-95664	-118312	25493	-90565
Other claims	-4819	-9732	-16796	3974	2796
Liabilities abroad	49293	143597	151438	-27929	58671
Liabilities vis-à-vis banks	39182	134615	159265	-29107	48768
long-term	8513	14159	-2372	-15139	-710
short-term	30669	120456	161636	-13968	49477
Other liabilities	10111	8982	-7826	1178	9903
long-term	1053	199	-1200	2346	1994
short-term	9058	8783	-6627	-1169	7909
<b>Corporate lending net</b>	-5443	3108	-1152	-8857	-11718
Claims abroad	-14433	2011	-13942	-11472	-10812
long-term	-714	281	-1553	-8285	3144
short-term	-13719	1730	-12389	-3187	-13956
Liabilities abroad	8991	1097	12790	2615	-906
long-term	7563	1825	4936	1658	-5715
short-term	1428	-728	7854	957	4809
<b>Government lending net</b>	289	218	-38	44	317
Claims abroad	295	305	61	82	99
long-term	295	305	61	82	99
short-term	0	0	0	0	0
Liabilities abroad	-6	-87	-99	-38	218
<b>Other net</b>	-1429	10676	6524	16817	39633
<b>H. International reserves<sup>4</sup> total</b>	-1107	2824	6659	-1091	-3744
Changes in foreign assets	-236	-1312	6659	-1091	-3744
Gold	0	0	0	0	0
Foreign exchange	462	-1802	5646	-235	-3780
Reserve position in the IMF	-306	394	568	-626	-297
Special drawing rights <sup>5</sup>	61	-366	399	-230	333
Other <sup>6</sup>	-453	462	46	0	0
Counterentry to valuation changes on international reserves	-871	4136	.	.	.
<b>IV. Net errors and omissions</b>	7287	4669	-7743	20710	17493

1 Time series extending beyond 2002 can be accessed in the Internet version of the Statistical Monthly Bulletin under [www.snb.ch](http://www.snb.ch)

2 Since 1999, including premium receipts from abroad (excluding service charges), i.e. claims payable by private domestic insurance companies.

3 Including intangible assets.

4 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.

5 As from 2000, including multilateral credits denominated in SDRs.

6 As from 2000, excluding multilateral credits denominated in SDRs.

n/a no data available

## Notes

### Changes from the previous year

In the context of the restructuring of the electricity market in Europe adjustments have been made to the definition of contractual foreign trade. Since 2002, contractual foreign trade has comprised the following two categories of business: on the one hand, as hitherto, imports and exports of electricity (purchase/sale; excluding substitution energy) agreed on – and duly set off – with domestic and foreign enterprises, loco border Switzerland/foreign country; and now also the imbalances between the purchase and sale of electricity resulting from commercial activities of enterprises in balance zones abroad. These imbalances are adjusted across borders. Since electricity is imported or exported within the context of balance zone adjustments, these volumes are also included in the statistics under foreign trade.

**Electrical energy**

Since 1 March 2002, the duty-free importation of goods up to an amount of Sfr 300 per person and day has been permitted, irrespective of the place of residence and the duration of the stay abroad. Therefore, the receipts and expenditures formerly stated under "small volumes in cross-border traffic" now figure under day tours and transit travel.

**Tourism**

The country definitions for direct investment as of 2000 have been brought into line with Eurostat's nomenclature.

**Definitions of countries**

### Current account

Exports f.o.b., imports c.i.f., according to the foreign trade statistics of the General Directorate of Customs, excluding 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.

**Special trade**

Exports and imports of electricity excluding substitution energy.

**Electrical energy**

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.

**Other goods**

Business travel and personal travel, stays at health resorts and hospitals, study-related travel, same-day travel, transit travel, duty-free shops, consumption expenditure by cross-border commuters.

**Tourism**

Service charges arising from 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.

**Other services**

Gross wages and salaries of Swiss cross-border commuters and of residents with foreign employers (international organisations and consular representations 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**



<b>Current transfers by the private sector</b>	Transfers by Swiss emigrants, by foreign insurance schemes, etc.; remittances by immigrants, annuities and indemnity payments, pension payments, financial support, foreign aid of private aid agencies, premium income and payment of claims (excluding service charges) by private insurance companies.
<b>Current transfers by the public sector</b>	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.
<b>Statistical basis of the current account</b>	The data derive 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 transfer of assets as well as intangible assets.

## Financial account

<b>Direct investment</b>	<p>Swiss direct investment abroad: investment by Swiss enterprises in foreign enterprises (subsidiaries, branch offices, affiliated companies).</p> <p>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.</p>
<b>Portfolio investment</b>	<p>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 represent net inflows, i.e. new investment minus liquidation of investments and redemptions. The statistical basis are data reported by the banks on the acquisition of securities by domestic customers. Acquisitions by banks and enterprises are derived from the statistics on foreign borrowings and lendings.</p> <p>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 represent net inflows, i.e. new investment minus liquidation of investments and redemptions. The statistical basis are reports by the banks on the acquisition of securities by foreign customers. The data on bonds floated abroad by domestic enterprises are derived from the statistics on the foreign borrowings and lendings of enterprises.</p>
<b>Other investment Commercial bank lending</b>	<p>Claims abroad: interbank lending operations, i.e. net change in long- and short-term credits to banks including precious metals claims; net change in lending to customers and mortgage loans as well as precious metals claims.</p> <p>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.</p> <p>The statistical basis are data submitted by domestic banks on foreign borrowings and lendings.</p>
<b>Other investment Corporate lending</b>	<p>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. excluding credits granted to subsidiaries, branch offices and affiliated companies abroad.</p> <p>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. excluding credits granted to domestic subsidiaries, branch offices and affiliated companies.</p> <p>The statistical basis are data submitted by the enterprises to the National Bank.</p>

---

Cross-border financial flows of the Confederation, the cantons and municipalities and of 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.

**Other investment  
Government lending**

---

Fiduciary claims and liabilities: claims include the outflow of residents' fiduciary funds which are invested abroad; liabilities include the inflow of nonresidents' fiduciary funds which are invested in Switzerland. The statistical basis are data submitted 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 and, from 2000 onwards, cross-border sales of gold by the National Bank. Imports of precious metals recorded in the current account have been deducted.

The Confederation's participation in capital increases of international organisations.

The sale of real estate in Switzerland to persons abroad less 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 have been recorded.

Other 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 have been entered as adjustment items under other investment.

**Other 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 flows in the National Bank's foreign assets 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 flows. With the introduction of the new accounting method, counterentries for non-transaction-induced changes in holdings have no longer been made from 2000 onwards.

**International reserves and  
counterentries**

## Residual item (net errors and omissions)

---

See Methodological basis

**Non-recorded transactions  
and statistical errors, net**

## Legal basis

---

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.

**Legal basis of the balance of  
payments statistics**

# Methodological basis

<b>Definition</b>	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 methodological basis of the balance of payments is set out in the Balance of Payments Manual of the IMF (5th edition).
<b>Current account</b>	The current account comprises goods trade and services transactions with other countries, cross-border labour income and investment income, and current transfers.
<b>Transfers</b>	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-entry book-keeping 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.
<b>Financial account</b>	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 enterprises abroad with equity character), portfolio investment (investment in foreign securities), other investment (mainly lending by banks and enterprises to nonresidents) and international reserves.
<b>Residual item (non-recorded transactions and statistical errors, net)</b>	The residual item is the difference between total "receipts" (current account receipts, 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 doubly 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.
<b>The link between the main aggregates in the balance of payments</b>	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 account corresponds, in reverse, to the balance from the financial account. The sum of these three balance sheet aggregates 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.

**Significance of the main balance of payments aggregates in the system of national accounts**

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

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

# Definition of countries and regions in direct investment statistics

## Definition of countries in direct investment statistics

<b>Denmark</b>	Until 1999 incl. Faroe Islands and Greenland.
<b>France</b>	incl. Mayotte, Saint Pierre and Miquelon. Since 2000 incl. Monaco, Réunion, French Guiana, Guadeloupe and Martinique.
<b>Portugal</b>	incl. Azores and Madeira.
<b>Spain</b>	incl. Ceuta, Melilla, Balearic Islands and Canary Islands.
<b>United Kingdom</b>	Comprises England, Scotland, Wales and Northern Ireland. Until 1999 also incl. Channel Islands and the Isle of Man.
<b>Yugoslavia</b>	Comprises Serbia and Montenegro.
<b>United States</b>	incl. Puerto Rico and Navassa.
<b>New Zealand</b>	Incl. the Chatham Islands, the Kermadec Group and the Three Kings, Auckland, Campbell, Antipodes, Bounty and Snares Islands. Excluding Ross Dependency (Antarctica).
<b>Malaysia</b>	Peninsular Malaysia and Eastern Malaysia (Labuan, Sabah and Sarawak).
<b>Taiwan</b>	Separate customs territory of Taiwan, Penghu, Kinmen and Matsu.
<b>India</b>	incl. Laccadive Island, Minicoy Island, Amindivi Island, Andaman and Nicobar Islands.
<b>Indonesia</b>	incl. East Timor.
<b>United Arab Emirates</b>	Abu Dhabi, Dubai, Sharjah, Ajman, Umm al Qaiwain, Ras al Khaimah and Fujairah.
<b>Morocco</b>	incl. Occidental Sahara.

## Definition of regions in direct investment statistics

<b>EFTA</b>	Comprises Norway (incl. Svålbard und Jan Mayen) and Iceland. Excl. Liechtenstein, which is listed with Switzerland for statistical purposes.
<b>Central and Eastern Europe</b>	Comprises, in addition to the published countries: Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Baltic republics, Yugoslavia, Macedonia, Moldova, Romania, Slovenia and Ukraine.
<b>Other European countries</b>	Comprises, in addition to the published countries: Andorra, Gibraltar, Malta, San Marino, Holy See and Cyprus. Until 1999 Monaco. Since 2000 incl. Channel Islands, the Isle of Man and Faroe Islands.
<b>North America</b>	United States of America, Canada and from 2000 onwards Greenland.
<b>Developing countries Asia</b>	Comprises, in addition to the published countries: Afghanistan, Armenia, Azerbaijan, Bahrain, Bangladesh, Bhutan, Brunei, Occupied Palestinian Territory, Georgia, Iraq, Iran, Israel, Yemen, Jordan, Cambodia, Kazakhstan, Qatar, Kyrgyzstan, Korea (Democratic People's Republic of/North), Kuwait, Laos, Macao, Maldives, Mongolia, Myanmar, Nepal, Oman, Oceania (excl. Australia and New Zealand), Sri Lanka, Syria, Tajikistan, Turkmenistan and Uzbekistan.
<b>Developing countries Central and South America</b>	Comprises, in addition to the published countries: Bolivia, Cuba, Dominican Republic, Falkland Islands, Guyana, Honduras, Haiti, Nicaragua, Paraguay, Suriname, El Salvador, Trinidad and Tobago. Until 1999 incl. French Guiana, Guadeloupe and Martinique.
<b>Offshore financial centres</b>	Anguilla, Bahamas, Barbados, Bermuda, Virgin Islands (British), Jamaica, Cayman Islands, Montserrat, Netherlands Antilles, Panama, St Kitts and Nevis; since 2000 incl. Virgin Islands (US), Antigua and Barbuda, Belize, Dominica, Grenada, St Lucia, St Vincent and the Grenadines, Turks and Caicos Islands.
<b>Developing countries Africa</b>	Comprises, in addition to the published countries: Algeria, Angola, Equatorial Guinea, Ethiopia, Benin, Botswana, British Indian Ocean Territory, Burkina Faso, Burundi, Djibouti, Eritrea, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Cameroon, Kap Verde, Kenya, Comoros, Congo, Congo (Democratic Republic of), Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Rwanda, Zambia, São Tomé and Príncipe, Senegal, Seychelles, Sierra Leone, Zimbabwe, Somalia, Saint Helena, Sudan, Swaziland, Tanzania (United Republic of), Togo, Chad, Tunisia, Uganda, Central African Republic. Until 1999 incl. Réunion.

