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# Swiss Balance of Payments



Swiss National Bank  
Swiss Balance of Payments 2003

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## Summary

### **Steep increase in current account surplus**

The current account surplus surged by CHF 21 billion to CHF 57 billion in 2003. This rise was due in large part to higher income from Swiss direct investment abroad. As a percentage of gross domestic product, the current account surplus reached 13%, compared with 8% in 2002. A similarly high figure in relation to GDP was last recorded in 2000.

### **Investment income from abroad significantly higher**

Investment income from abroad rose by almost one-third to CHF 83 billion. This rise was brought about by higher direct investment income received from subsidiaries abroad. Income on direct investment in Switzerland paid to other countries also registered a substantial increase. By contrast, interest and dividend expenses for foreign portfolio investment in Switzerland, as well as the banks' interest payments abroad, were on the decline. On balance, investment income paid abroad in 2003 remained at the year-earlier level overall.

### **Trade in goods and services stagnating**

Trade in goods and services grew vigorously in the second half of the year thanks to brisker foreign demand. However, owing to the sluggish economy and fears relating to the war in Iraq in the first half of 2003, goods and services trade only just reached the year-back level on balance.

### **Turnaround in direct investment**

After having decreased for two years, direct investment abroad expanded in 2003. Considerably higher capital exports flowed to the US and to the emerging and developing countries. Capital flows to the EU, by contrast, receded year-on-year. Capital inflows for direct investment in Switzerland grew by CHF 6 billion to CHF 16 billion. The increase in company acquisitions and higher investment in finance and holding companies were decisive factors in this rise.

### **Decline in portfolio investment**

Swiss portfolio investment abroad was again slightly lower. At CHF 45 billion, it corresponded to the long-term average. In 2003, investors bought almost exclusively fixed-interest securities, two-thirds of which were denominated in Swiss francs. As to foreign portfolio investment in Switzerland, foreign investors on balance sold CHF 3 billion worth of Swiss securities in 2003. A year earlier, they had invested CHF 11 billion in Swiss securities.

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

	1999	2000	2001	2002 revised	2003 provisional
<b>I. Current account net</b>	44.1	51.7	33.8	36.2	57.0
<b>Goods net</b>	-0.3	-4.2	-4.6	5.1	4.5
Special trade, net	1.0	-2.1	1.7	7.3	6.9
Receipts	114.4	126.5	131.7	130.4	130.7
Expenses	-113.4	-128.6	-130.1	-123.1	-123.8
Other trade, net	-1.3	-2.2	-6.3	-2.2	-2.4
<b>Services net</b>	22.8	27.3	23.4	23.3	24.0
Tourism, net	1.6	2.4	2.1	2.0	2.5
Receipts	11.8	13.1	12.7	12.3	12.6
Expenses	-10.2	-10.7	-10.6	-10.3	-10.1
Financial services, net	11.1	13.3	11.8	10.4	10.4
Receipts	12.0	14.6	12.9	11.3	11.3
Expenses	-0.8	-1.3	-1.1	-0.9	-0.9
Other services, net	10.1	11.6	9.5	10.9	11.1
<b>Labour income and investment income net</b>	29.3	35.8	23.8	16.7	35.5
Labour income, net	-6.9	-8.3	-9.1	-9.2	-10.3
Receipts	1.6	1.7	2.0	1.9	2.1
Expenses	-8.5	-9.9	-11.1	-11.1	-12.4
Investment income, net	36.2	44.0	32.9	25.9	45.8
Receipts	73.7	102.4	87.3	63.1	82.6
Portfolio investment	21.7	24.5	24.6	22.9	22.0
Direct investment	34.9	44.1	31.1	19.4	42.7
Other investment income	17.0	33.8	31.6	20.7	17.9
Expenses	-37.4	-58.3	-54.4	-37.1	-36.8
Portfolio investment	-9.9	-12.0	-13.7	-11.6	-10.9
Direct investment	-15.7	-17.8	-12.8	-9.3	-13.2
Other investment income	-11.8	-28.5	-27.8	-16.2	-12.8
<b>Current transfers net</b>	-7.8	-7.1	-8.8	-8.9	-7.0
<b>II. Capital transfers net</b>	-0.8	-6.0	2.6	-1.8	-1.0
<b>III. Financial account net</b>	-48.6	-39.0	-59.4	-36.9	-43.2
<b>Direct investment net</b>	-32.4	-42.9	-15.8	-2.8	-5.5
Swiss direct investment abroad	-50.0	-75.4	-30.8	-12.3	-21.1
Equity capital	-23.8	-56.0	-22.0	-24.6	-4.9
Reinvested earnings	-18.3	-16.8	-4.0	8.7	-15.4
Other capital	-7.9	-2.6	-4.8	3.6	-0.8
Foreign direct investment in Switzerland	17.6	32.5	14.9	9.5	15.6
Equity capital	7.6	19.9	15.8	4.0	11.5
Reinvested earnings	9.7	11.0	1.0	2.1	3.2
Other capital	0.3	1.7	-1.8	3.4	0.9

	1999	2000	2001	2002	2003
				revised	provisional
<b>Portfolio investment net</b>	-61.5	-19.9	-69.1	-35.2	-47.0
Swiss portfolio investment abroad	-70.4	-37.7	-72.3	-46.6	-44.5
Debt securities	-44.1	-3.4	-47.1	-34.8	-41.6
Bonds and notes	-39.8	-1.7	-39.3	-29.6	-32.9
Money market instruments	-4.2	-1.6	-7.8	-5.2	-8.7
Equity securities	-26.3	-34.3	-25.2	-11.9	-2.9
Foreign portfolio investment in Switzerland	8.9	17.8	3.2	11.4	-2.5
Debt securities	0.6	2.5	0.1	2.6	3.7
Bonds and notes	0.5	2.3	-0.8	0.0	2.2
Money market instruments	0.1	0.2	0.9	2.6	1.5
Equity securities	8.2	15.3	3.1	8.8	-6.2
<b>Other investment net</b>	42.4	17.1	26.7	4.8	13.8
Commercial bank lending, net	27.5	11.0	18.0	-26.8	-6.8
Claims abroad	-116.1	-140.4	45.9	-85.5	-14.3
Claims on banks	-106.4	-123.6	41.9	-88.3	-4.3
Other claims	-9.7	-16.8	4.0	2.8	-10.0
Liabilities abroad	143.6	151.4	-27.9	58.7	7.5
Liabilities vis-à-vis banks	134.6	159.3	-29.1	48.8	-12.8
Other liabilities	9.0	-7.8	1.2	9.9	20.3
Corporate lending <sup>2</sup> , net	3.1	-1.2	-8.9	-8.7	6.1
Claims abroad	2.0	-13.9	-11.5	-7.6	-2.8
Liabilities abroad	1.1	12.8	2.6	-1.1	8.9
Government lending, net	0.2	0.0	0.0	0.3	-0.1
Other, net	11.6	7.3	17.5	40.1	14.7
<b>Reserve assets total<sup>3</sup></b>	2.8	6.7	-1.1	-3.7	-4.5
Changes in foreign assets	-1.3	6.7	-1.1	-3.7	-4.5
Valuation changes on foreign assets	4.1	.	.	.	.
<b>IV. Net errors and omissions</b>	5.3	-6.7	23.0	2.5	-12.8

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.



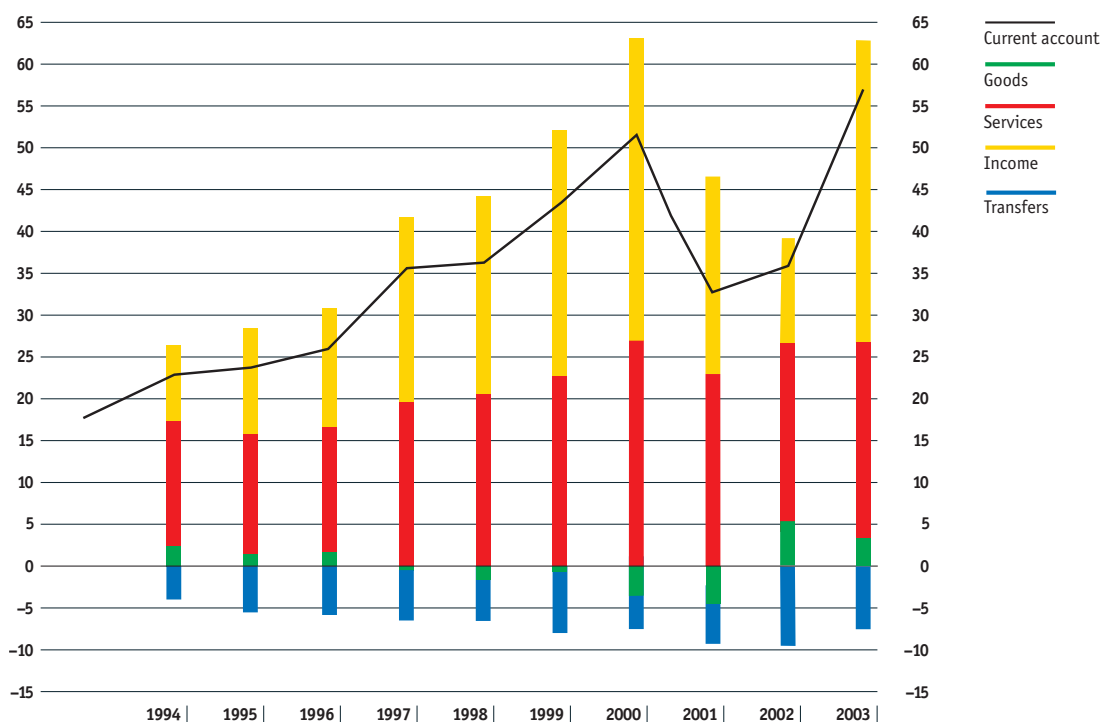
# Current account

The current account surplus came to CHF 57 billion in 2003 compared with CHF 36 billion a year earlier. The steep increase was due to net investment income surging by CHF 20 billion to CHF 46 billion. Four-fifths of the 2003 current account surplus stemmed from net income on foreign investment. Exports and imports of goods and services contracted slightly in 2003. The export surplus from trade in goods and services remained at the year-back level of CHF 28 billion. Both labour income and current transfers recorded a

**Sharp rise in net investment income**

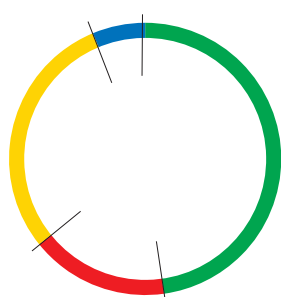
Current account, net in billions of Swiss francs

Graph 1



Structure of receipts and expenses in the 2003 current account

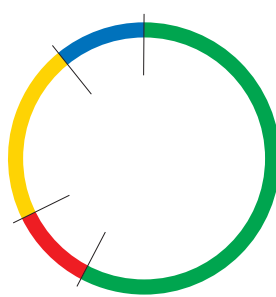
Graph 2



Structure of receipts percent

- Goods 48
- Services 16
- Income 30
- Current transfers 6

Total receipts:  
CHF 287 billion



Structure of expenses percent

- Goods 58
- Services 10
- Income 21
- Current transfers 11

Total expenses:  
CHF 230 billion

net expenditure (CHF 10 billion and CHF 7 billion respectively). This was due to the salaries and wages paid to foreign cross-border commuters and, respectively, to remittances of foreign workers resident in Switzerland.

## 2 Current account 1994–2003

	Receipts	Expenses	Net	Current account in percent of gross domestic product
	billions of Swiss francs	billions of Swiss francs	billions of Swiss francs	
1994	169.3	145.9	23.4	6.4
1995	170.2	145.8	24.4	6.6
1996	177.8	151.4	26.4	7.1
1997	204.0	168.2	35.8	9.4
1998	225.5	189.0	36.5	9.4
1999	252.0	207.9	44.1	11.1
2000	303.3	251.5	51.7	12.4
2001	293.8	260.0	33.8	8.0
2002	266.6	230.4	36.2	8.5
2003	286.8	229.8	57.0	13.2

### Adjustments of the current account in line with the national accounts pursuant to ESA95

The changeover of the national accounts (NA) to the European System of Accounts 95 (ESA95) necessitated adjustments to the current account and minor changes to the financial account. These modifications ensure that the balance of payments data can continue to be compared with the national accounts. Insurance services have not yet been harmonised completely. The necessary adjustments in this field will be made as soon as possible. The changes result in a slightly lower current account surplus.

Previously, imports returned abroad were recorded as exports under **returned goods**. As of now, they are deducted from goods imports. Likewise, exports returned to Switzerland – previously shown under imports – are now deducted from exports.

As regards **private insurance**, a portion of the premium income from abroad is entered as service exports pursuant to ESA95. The premium income excluding service charges and payment of claims is shown under current transfers. As defined in ESA95, pension funds, health insurance companies and the Swiss National Accident Insurance Fund (SUVA) are included under private insurance. In the current account, new positions for "private social security schemes" have thus been introduced under services and under cur-

rent transfers; these positions are composed of pension funds plus SUVA. Health insurance companies are included under other direct insurance.

In accordance with ESA95, fee income of embassies and consulates is considered to be part of **government services** and is thus no longer entered under public transfers.

**Stamp duty**, which was previously recorded under public transfers, is now reclassified under other services.

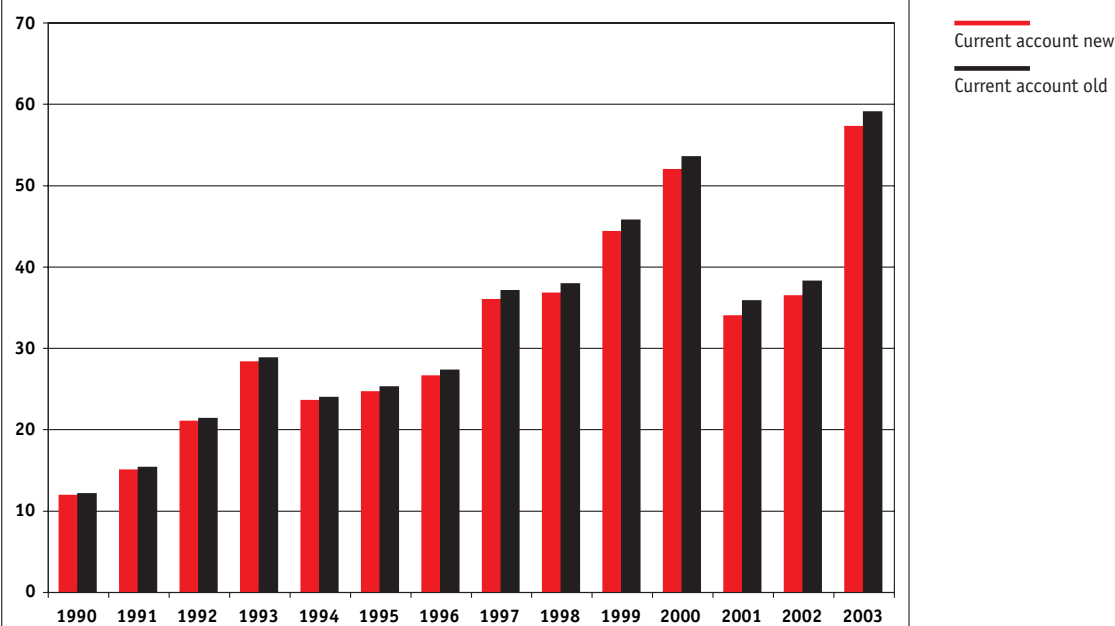
**Labour income** of foreign cross-border commuters now also includes the employers' contributions to pension funds and SUVA.

Another change concerns the increase in claims by private households abroad on pension fund reserves, which is now shown under **investment income**.

Premium income from abroad of SUVA, the pension funds and the health insurance companies (excluding service charges) and the corresponding pension payments are now included in **private transfers**. Previously, SUVA was listed under public transfers. A pro memoria amount only was entered under pension funds, and health insurance companies were omitted altogether.

The contributions to the unemployment insurance of foreign cross-border commuters reimbursed in the subsequent year are no longer recorded as **public transfers**.

**Effects of the adjustments of the current account in line with the national accounts pursuant to ESA95 in billions of Swiss francs** Graph 3



# Goods

## Foreign trade stagnating

Switzerland's foreign trade stagnated in 2003 owing to the sluggish performance of the economy in Switzerland and abroad during the first half of the year. With the global economy picking up, growth in foreign trade was substantial in the second half. Nominal exports (special trade excluding precious metals, precious stones and gems as well as objets d'art and antiques) edged up in 2003, and nominal imports advanced by half a percent. Since average import prices receded slightly and export prices were static at the year-back level, the terms of trade improved somewhat. The trade surplus stood at CHF 7 billion, the same figure as in the previous year.

## Exports by the chemical industry slightly higher – decline in the machinery sector

The chemical industry – the most important export sector – again boosted its sales abroad slightly. Likewise, exports of metals industry products and of precision instruments accelerated. By contrast, goods shipped by the machinery and electronics industry – the second most important export segment – and by the watchmaking industry decreased.

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

Exports to the EU grew by around 1%. Those to Germany, Switzerland's major trading partner, were up by 2%; this increase was due in part to the sale of aircraft. Shipments to France fell off markedly. Fewer goods were sold to the US, too. Exports to the transition countries, by contrast, grew at a double-digit rate. Exports to the developing countries decreased considerably, and the emerging countries also purchased fewer goods from Switzerland.

## Slightly higher imports in almost all goods categories

With the domestic economy gathering steam, imports recovered in the second half of 2003. Apart from consumer goods, all categories saw a modest nominal increase in 2003.

## Higher imports from the EU, fewer from the US

Imports from the EU were on the increase; those from Germany even grew by around 4%. Considerably more goods were imported from France and Italy as well. The transition countries also sold more goods to Switzerland, with shipments from China accounting for the bulk of the increase. Imports from the US contracted significantly. Likewise, imports from the emerging economies and developing countries fell short of the year-back level.

## Imports and exports of electrical energy lower in terms of value

The volume of electrical energy exports was down 10%. Since prices increased, however, the value of these exports shrank only marginally. Imports declined in terms of value owing to lower volumes.

## Trade in other goods

The development of the "other goods" trade is primarily shaped by precious metals, precious stones and gems, which may at times be subject to significant fluctuations and extraordinary factors. Exports of precious metals, precious stones and gems dropped by almost one-fifth while imports declined by 16%.

### 3 Goods

	1999	2000	2001	2002	2003	Change 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>

Receipts	114446	126549	131717	130381	130662	0.2%
Expenses	113416	128615	130052	123125	123778	0.5%
Net	1030	-2066	1665	7256	6884	

#### Electrical energy

Receipts	2069	1944	2963	2509	2434	-3.0%
Expenses	1462	1475	1896	1488	1357	-8.8%
Net	607	469	1067	1021	1077	

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

Receipts	4951	9253	5380	5142	3966	-22.9%
Expenses	6864	11873	12762	8317	7453	-10.4%
Net	-1913	-2620	-7382	-3175	-3487	

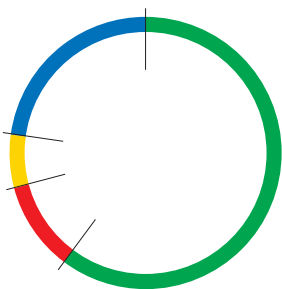
#### Total

Receipts	121466	137746	140060	138031	137062	-0.7%
Expenses	121742	141963	144710	132930	132588	-0.3%
Net	-276	-4217	-4650	5102	4474	

- 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.

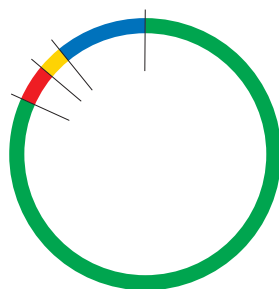
#### 2003 foreign trade by economic area

Graph 4



##### Exports of goods percent

EU 60
United States 11
Other industrial countries 6
Other 23



##### Imports of goods percent

EU 82
United States 4
Other industrial countries 3
Other 11

# Services

## **Receipts from personal and business travel down again...**

Receipts from tourism in 2003 topped the year-earlier level. This was due to the consumption expenditure of persons with short-term residence permits now included in this item. Receipts from personal and business travel, however, sank by approximately 4%. The number of overnight stays in hotels and health resorts by foreign visitors diminished by 5%. The number of visitors from the EU was down by 3%; tourists from Germany, who account for the majority of EU visitors, declined by 4%. The sharpest drop was accounted for by tourists from the US and Japan. This unfavourable result came on the back of the lacklustre economic recovery in the EU, the weak US dollar and the war in Iraq. Other types of accommodation developed along similar lines; the number of overnight stays of foreign visitors in holiday flats diminished. The number of students from abroad increased, however, and receipts from the consumption expenditure of tourists on same-day or transit travel were slightly higher than in the previous year.

## **...and expenditure receding as well**

Expenses for personal and business travel abroad receded by 3%. More money was spent during same-day and transit travel, however. Tourists purchased more goods abroad and, in addition, had to pay larger amounts for these goods owing to the stronger euro and the higher prices.

## **Higher exports of insurance services**

In 2003, the insurance industry again recorded higher premium income from abroad. Compared with 2002, however, the rise was more moderate as the premiums had been lifted substantially in the wake of the terrorist attacks in the US. Exports of insurance services surged by 10% to CHF 5 billion in 2003.

## **International transportation declining further**

Receipts from passenger transportation, which is mainly composed of air travel by foreign residents with Swiss airlines, dropped further. Expenses, by contrast, were on the rise: more passengers travelled with foreign airlines as the domestic airlines had reduced the number of destinations they serve. Transportation-related services – the larger part of which is accounted for by air transport – saw both lower receipts and lower expenditure. Receipts from international transportation exhibited a slight decrease overall, and expenses fell by 6%.

Receipts from the banks' financial services stagnated in 2003 after having plunged by 12% in 2002. Revenue from asset management in particular, was affected by the weak performance of the financial markets at the beginning of the year. With the stock markets picking up as from the second quarter of 2003, bank commissions rose considerably, thus offsetting the decline registered in the first half of the year.

Total receipts from services exports equalled the previous year's figure of CHF 47 billion. Expenses for imports were CHF 1 billion lower at CHF 23 billion. The surplus from services amounted to CHF 24 billion, compared with CHF 23 billion a year earlier.

**Recovery on the financial markets brings decline in bank commissions to a halt**

**Surplus from services slightly higher**

## 4 Services

	1999	2000	2001	2002	2003	Change 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	11767	13134	12676	12269	12589	2.6%
Expenses	10175	10718	10557	10306	10061	-2.4%
Net	1592	2416	2119	1963	2528	
<b>Business and personal travel</b>						
Receipts	8338	9100	8753	8349	8047	-3.6%
Expenses	8698	9209	9042	8856	8581	-3.1%
Net	-360	-109	-289	-508	-534	
<b>Same-day and transit travel</b>						
Receipts	2329	2778	2569	2876	2940	2.3%
Expenses	1070	1102	1097	1431	1461	2.1%
Net	1259	1676	1472	1445	1479	
<b>Other tourism</b>						
Receipts	341	369	367	. <sup>1</sup>	. <sup>1</sup>	.
Expenses	390	390	400	. <sup>1</sup>	. <sup>1</sup>	.
Net	-49	-21	-33	. <sup>1</sup>	. <sup>1</sup>	
<b>Consumption expenditure of foreign workers</b>						
Receipts	759	887	988	1045	1602	53.3%
Expenses	17	18	19	19	19	0.0%
Net	742	869	969	1026	1583	
<b>Private insurance</b>						
Receipts	2992	2582	1959	4333	4759	9.8%
Expenses	125	125	125	133	133	0.0%
Net	2867	2457	1834	4200	4627	
<b>Merchandising</b>						
Receipts	1362	1439	1292	2028	1706	-15.9%
<b>Transportation total</b>						
Receipts	6623	7664	7491	5160	5088	-1.4%
Expenses	5239	5940	5477	4099	3863	-5.8%
Net	1384	1724	2014	1061	1225	
<b>Passengers</b>						
Receipts	3450	3952	4241	2872	2723	-5.2%
Expenses	2824	3284	3278	2596	2680	3.2%
Net	626	668	964	275	44	
<b>Freight</b>						
Receipts	1082	1361	1077	748	874	16.9%
Expenses <sup>2</sup>	0	0	0	0	0	
Net	1082	1361	1077	748	874	
<b>Other</b>						
Receipts	2092	2351	2173	1540	1490	-3.3%
Expenses	2415	2655	2199	1503	1183	-21.3%
Net	-324	-305	-27	38	307	



	1999	2000	2001	2002	2003	Change 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	1267	1485	1296	1283	1286	0.3%
Expenses	1229	1495	1561	1357	1303	-4.0%
Net	38	-11	-265	-74	-16	
<b>Other services total</b>						
Receipts	19953	24128	23306	21974	21637	-1.5%
Expenses	4368	4893	6909	7863	7692	-2.2%
Net	15586	19235	16397	14112	13945	
<b>Financial services</b>						
Receipts	11978	14608	12874	11317	11276	-0.4%
Expenses	845	1322	1099	924	913	-1.2%
Net	11132	13286	11775	10393	10363	
<b>Technological services</b>						
Receipts	4160	4846	5456	6755	6133	-9.2%
Expenses	3208	3250	5486	6624	6455	-2.5%
Net	953	1596	-31	131	-323	
<b>Other services</b>						
Receipts	3816	4675	4976	3902	4228	8.4%
Expenses	315	321	324	315	323	2.8%
Net	3501	4354	4652	3587	3905	
<b>Total</b>						
Receipts	43964	50431	48020	47047	47065	0.0%
Expenses	21136	23171	24629	23757	23051	-3.0%
Net	22828	27260	23392	23290	24014	

- 1 Other tourism has been included in same-day and transit travel since 2002.
- 2 The expenses for transportation of freight are for the most part included in the imports of goods.

# Labour income and investment income

## Higher labour income

Labour income from abroad expanded by 9% to CHF 2 billion. It is mainly composed of the salaries and wages of persons employed by international organisations in Switzerland. The international organisations are considered to be extraterritorial areas with non-resident status. Employees' remuneration paid to other countries consists mainly of the salaries and wages earned by foreign cross-border commuters and, as of 2003, also of the salaries and wages paid to holders of short-term residence permits working in Switzerland less than four months per year. As the latter are now taken into account, and due to the rising number of foreign cross-border commuters, salary payments to other countries grew substantially.

## Steep rise in income from direct investment abroad

Income from investment abroad surged by 31% to CHF 83 billion in 2003. The development of investment income was shaped by higher profits of subsidiaries abroad. Income from direct investment abroad surged from CHF 19 billion to CHF 43 billion. In the previous year, losses of subsidiaries had sent earnings from direct investment plunging. Income from portfolio investment abroad diminished by 4% to CHF 22 billion mainly on the back of lower interest rates. The Swiss banks' interest operations with foreign banks and customers also yielded lower receipts from abroad due to the decline in interest rates. Income from the SNB's foreign exchange holdings stagnated at the year-back level.

## Stagnating income from capital investment in Switzerland

In 2003, income from foreign capital investment in Switzerland equalled the year-earlier figure of CHF 37 billion. As to direct investment, interest and dividend payments as well as retained profits were higher than a year previously. Interest and dividend payments on portfolio investment in Switzerland receded by 6% to CHF 11 billion. The slump in interest rates and sales of equity securities contributed to this drop. The banks' interest payments also fell markedly owing to the downturn in interest rates.

## Surge in net investment income

On balance, net investment income grew by CHF 20 billion to CHF 46 billion.

## 5 Labour income and investment income

	1999	2000	2001	2002	2003	Change 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	1623	1679	1984	1904	2068	8.6%
Expenses	8539	9943	11065	11149	12378	11.0%
Net	-6916	-8264	-9081	-9245	-10310	
<b>Investment income total</b>						
Receipts	73651	102375	87323	63054	82631	31.0%
Expenses	37403	58326	54392	37120	36803	-0.9%
Net	36247	44049	32931	25934	45828	
<b>Portfolio investment</b>						
Receipts	21687	24509	24605	22942	22023	-4.0%
Expenses	9915	12042	13724	11578	10852	-6.3%
Net	11772	12467	10881	11365	11171	
<b>Direct investment</b>						
Receipts	34931	44103	31145	19381	42694	120.3%
Expenses	15674	17761	12831	9339	13157	40.9%
Net	19257	26342	18314	10042	29537	
<b>Other investment income</b>						
Receipts	17033	33763	31573	20731	17914	-13.6%
Expenses	11814	28524	27837	16203	12794	-21.0%
Net	5218	5240	3736	4528	5120	
<b>of which banks' interest business</b>						
Receipts	12911	29018	27464	17613	15114	-14.2%
Expenses	11039	27711	27075	15469	12065	-22.0%
Net	1872	1307	389	2144	3048	
<b>Total</b>						
Receipts	75273	104054	89306	64958	84699	30.4%
Expenses	45942	68269	65457	48269	49181	1.9%
Net	29331	35785	23849	16689	35518	

## Current transfers

### **Slightly higher receipts...**

At CHF 18 billion, current transfers from abroad in 2003 exceeded the previous year's level by CHF 1 billion. Private transfers, which largely represent premium income of private insurance companies, increased by 9% to CHF 15 billion. Transfers by the public sector include significantly higher figures both for the income of the social security schemes and for tax receipts and duties from abroad.

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

Current transfers abroad amounted to CHF 25 billion, the same as in the previous year. Private transfers saw a decline in insurance claims payments to other countries. Transfers by foreign workers resident in Switzerland (permanent residents, and holders of annual or short-term permits) went up due to the growing number of foreign workers. At CHF 6 billion, public-sector payments equalled the previous year's figure.

## 6 Current transfers

	1999	2000	2001	2002	2003	Change 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</b>						
Receipts	9167	8649	13603	13575	14785	8.9%
Expenses	13646	12559	19327	19328	18644	-3.5%
of which immigrants' remittances	2837	2876	3070	3178	3582	12.7%
Net	-4478	-3909	-5724	-5753	-3859	
<b>Public transfers total</b>						
Receipts	2146	2387	2783	3031	3194	5.4%
Expenses	5421	5583	5880	6138	6314	2.9%
Net	-3275	-3196	-3097	-3107	-3120	
<b>Social security</b>						
Receipts	744	900	1026	1339	1429	6.8%
Expenses	3475	3615	3897	3970	4128	4.0%
Net	-2732	-2716	-2870	-2631	-2698	
<b>General Government</b>						
Receipts	1403	1488	1756	1692	1764	4.3%
Expenses	1946	1968	1983	2168	2186	0.9%
Net	-543	-480	-227	-476	-422	
<b>Total</b>						
Receipts	11314	11036	16386	16606	17978	8.3%
Expenses	19067	18141	25207	25466	24958	-2.0%
Net	-7753	-7105	-8821	-8860	-6979	

# Financial account

## Direct investment and portfolio investment account for a higher share of the financial account

In 2003, direct investment and portfolio investment were the predominant components of the financial account. Given the brighter economic prospects and buoyant business activity, companies expanded direct investment for the first time again since 2000. Swiss companies favoured the United States, where economic activity picked up considerably in 2003. Half of foreign direct investment in Switzerland flowed into participations in holding and financial companies, which again underscored the attractiveness of Switzerland as a base for holding companies. In the case of portfolio investment, investors in both directions favoured debt securities to the detriment of equity securities. Banks' short-term capital flows fell sharply in 2003. In the previous year, they had dominated the financial account as the banks had placed almost all of their considerable liquid funds with banks abroad. Swiss net capital outflows rose by CHF 6 billion to CHF 43 billion.

### Financial account, net

excluding reserve assets in billions of Swiss francs

Graph 5

■ Direct investment, net  
■ Portfolio investment, net  
■ Other investment, net

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



# Direct investment

In 2003, Swiss capital outflows for direct investment abroad rose by CHF 9 billion to CHF 21 billion. Direct investment may be effected either by acquiring participations, by extending loans to subsidiaries or by means of retained profits (reinvested earnings) at subsidiaries. In 2003, Swiss direct investors made capital available to their subsidiaries abroad mainly in the form of retained profits (reinvested earnings), which accounted for CHF 15 billion. This was possible because profits of subsidiaries abroad rose sharply year-on-year. The year before, losses in the banking and insurance industries had led to a negative result of CHF 9 billion for this position, considerably depressing total capital outflows. Capital exports for acquisitions declined from roughly CHF 25 billion in the previous year to CHF 5 billion. This reflected the persistently low level of mergers and acquisitions worldwide.

The bulk of direct investment was again made by the service sector in 2003. After having exported large amounts of capital at the end of the 1990s, the service sector withdrew capital from abroad in 2002. The most active service sectors in 2003 were finance and holding companies (total investment: CHF 7 billion) and banks (CHF 6 billion). By contrast, the transportation and communications industry again sold unprofitable participations abroad.

The manufacturing sector halved direct investment to CHF 6 billion compared with the previous year. The decline is attributable to disinvestment in the electronics industry, which siphoned off funds from abroad in the amount of CHF 3 billion. The other industries in the manufacturing sector, however, built up their position abroad. Companies in the "other manufacturing" category (mainly the food and construction industries) accounted for CHF 4 billion worth of direct investment. The chemical industry invested CHF 3 billion, while the metals and machinery segments invested just under CHF 2 billion.

At CHF 7 billion, a third of total capital exports flowed into the US (previous year: CHF 3 billion). Banks, insurance companies and the chemical industry in particular chose this destination. Direct investment in the EU countries (EU15) amounted to approximately CHF 6 billion. This is CHF 1 billion less than in the previous year. Belgium and Luxembourg registered the biggest inflow, together accounting for CHF 6 billion. By contrast, CHF 2 billion flowed back to Switzerland both from Italy and France. Swiss direct investors also withdrew capital in the 10 EU accession countries, after investment had been particularly heavy there in the previous years. The highest capital exports outside of the EU and the US flowed into offshore financial centres. CHF 4 billion was invested in these centres in Central and South America, while CHF 3 billion flowed into their European counterparts.

Foreign direct investment in Switzerland totalled CHF 16 billion in 2003. In the previous year, it had dropped to CHF 10 billion, its lowest level since 1996. Acquisitions and capital increases by foreign investors in Switzerland amounted to CHF 11 billion compared with a mere CHF 4 billion in the previous year. A portion of the profits earned by subsidiaries of foreign groups established in Switzerland is generally invested in these companies. This direct investment in the form of retained profits rose by CHF 1 billion to CHF 3 billion in 2003, reflecting the higher profits posted by foreign subsidiaries in Switzerland.

**Higher direct investment abroad**

**Service sector dominant**

**US the most important destination for Swiss direct investment**

**Foreign direct investment in Switzerland recovers**

**Switzerland still attractive as a base for holding companies; influx into the manufacturing sector also significant**

At CHF 11 billion, CHF 2 billion more than in the previous year flowed into the service sector. Of that amount, CHF 9 billion was accounted for by foreign-controlled finance and holding companies, thus further strengthening Switzerland's position as a base for holding companies. CHF 1 billion each was invested in banking and in transportation and communications. With investments of CHF 4 billion in 2003, the manufacturing sector recorded sizeable inflows from abroad for the first time since 2000. Acquisitions in the chemical and electronics industries dominated the picture: both industries registered an influx of just under CHF 2 billion each.

**Strong increase in direct investment from North America**

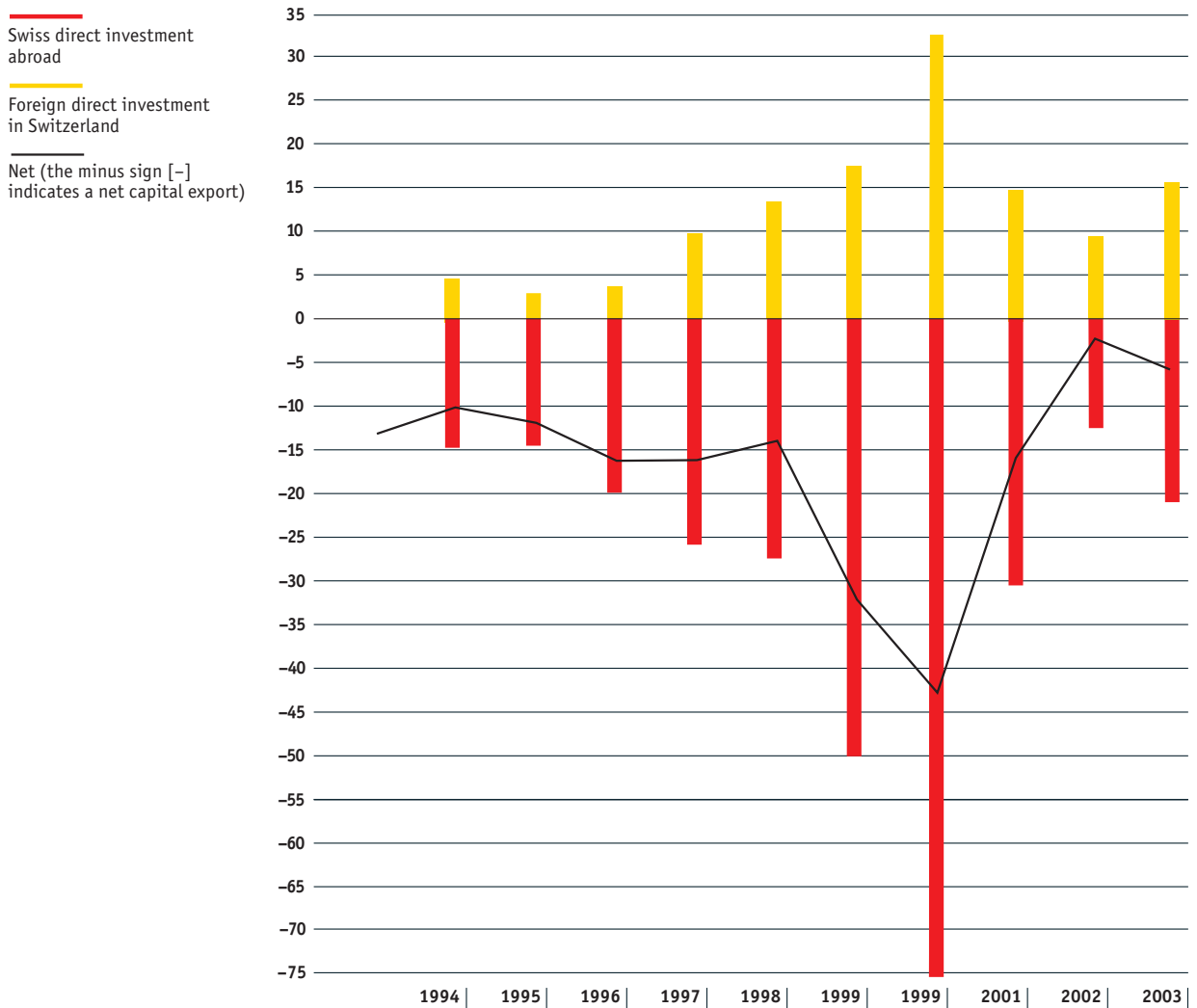
Investment from North America more than doubled to CHF 8 billion in 2003. The bulk of the investment was channelled into the electronics industry and into finance and holding companies. With investments totalling CHF 6 billion, the EU countries were an important source of foreign direct investment in Switzerland. Of this amount, CHF 4 billion came from Dutch investors, CHF 2 billion from the United Kingdom and CHF 1 billion from France. Germany saw further disinvestment – a trend observable since 2001.

**Net capital export doubled**

The net capital export resulting from the flow of funds for direct investment abroad and direct investment in Switzerland rose by CHF 3 billion to CHF 6 billion.

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

Graph 6



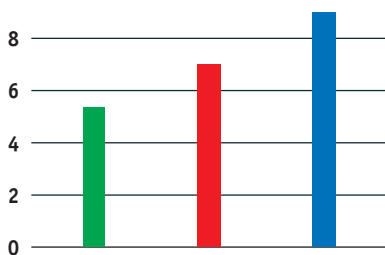


## 7.1 Swiss direct investment abroad: breakdown by economic activity<sup>1</sup>

	1999	2000	2001	2002 revised	2003 provisional
<b>Capital exports<sup>2</sup> in millions of Swiss francs</b>					
<b>Manufacturing</b>	<b>9477</b>	<b>23726</b>	<b>11393</b>	<b>12325</b>	<b>5976</b>
Textiles and clothing	395	-90	-279	157	824
Chemicals and plastics	6430	17695	1499	2762	2534
Metals and machinery	659	173	4797	-343	1653
Electronics, energy, optical and watchmaking industries	1007	2395	1788	681	-3198
Other manufacturing and construction	986	3555	3588	9067	4163
<b>Services</b>	<b>40509</b>	<b>51720</b>	<b>19389</b>	<b>-63</b>	<b>15155</b>
Trade	2805	-656	1080	388	527
Finance and holding companies	14067	4813	8694	2825	7461
of which foreign-controlled <sup>3</sup>	11480	2519	7770	1714	5249
Banks	6082	31059	-928	-99	6050
Insurance	9910	14042	7493	-573	1414
Transportation and communications	3524	196	1521	-1383	-853
Other services	4121	2266	1528	-1220	555
<b>Total</b>	<b>49986</b>	<b>75446</b>	<b>30782</b>	<b>12262</b>	<b>21131</b>

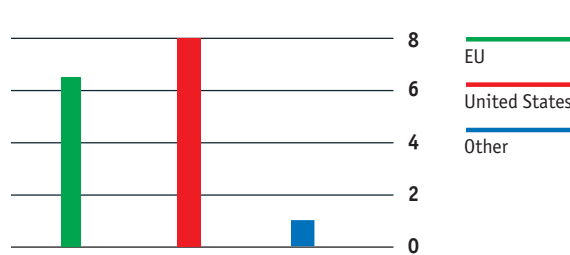
- 1 The breakdown by sector and by economic activity refers to the company's core business in Switzerland.
- 2 The minus sign (-) indicates a return flow of capital into Switzerland (disinvestment).
- 3 A company is considered to be foreign-controlled if a majority share of its capital is in foreign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

2003 direct investment by economic area



Swiss direct investment abroad  
in billions of Swiss francs

Graph 7



Foreign direct investment in Switzerland  
in billions of Swiss francs

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

	1999	2000	2001	2002 revised	2003 provisional
<b>Capital exports<sup>2</sup> in millions of Swiss francs</b>					
<b>1. Europe and non-European industrial countries</b>	<b>38128</b>	<b>63693</b>	<b>23631</b>	<b>13034</b>	<b>16872</b>
<b>EU</b>	<b>21359</b>	<b>23537</b>	<b>11632</b>	<b>7340</b>	<b>5569</b>
Belgium	1179	4429	-545	2030	2518
Denmark	280	-167	-29	74	75
Germany	5799	-1113	5696	247	3
Finland	126	263	99	-8	5
France <sup>3</sup>	827	-933	-1582	985	-1621
Greece	179	355	167	241	370
Ireland	5446	1303	-4713	175	-57
Italy	192	-222	1958	773	-1805
Luxembourg	-47	3440	7825	-2956	3739
Netherlands	1716	3227	167	1505	610
Austria	515	100	399	455	590
Portugal	561	1594	270	75	-266
Sweden	-656	328	-165	3002	522
Spain	-545	97	1382	480	19
United Kingdom <sup>4</sup>	5788	10836	703	261	869
<b>EFTA</b>	<b>362</b>	<b>-1208</b>	<b>247</b>	<b>791</b>	<b>102</b>
<b>Central and Eastern Europe</b>	<b>1174</b>	<b>1095</b>	<b>1589</b>	<b>1587</b>	<b>487</b>
of which					
Croatia	-44	16	21	7	63
Poland	473	586	209	-152	125
Russian Federation	599	-7	696	151	108
Slovakia	38	13	9	52	-5
Czech Republic	-64	183	274	55	-501
Hungary	100	77	172	28	190
<b>Other European countries<sup>5</sup></b>	<b>744</b>	<b>5954</b>	<b>-61</b>	<b>58</b>	<b>2529</b>
of which					
Offshore financial centres <sup>6</sup>	.	5709	-242	-246	2836
Turkey	-95	-242	-158	249	37
<b>North America</b>	<b>13640</b>	<b>34232</b>	<b>9728</b>	<b>3707</b>	<b>7149</b>
Canada	83	553	108	307	316
United States	13557	33678	9620	3401	6833
<b>Other non-European industrial countries</b>	<b>850</b>	<b>83</b>	<b>496</b>	<b>-449</b>	<b>1037</b>
Australia	322	-267	-66	437	1222
Japan	628	336	487	-640	8
New Zealand	-215	-3	22	-7	-55
South Africa	116	18	54	-238	-138

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

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 Gibraltar, Guernsey, Jersey and the Isle of Man.

7 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.

1999	2000	2001	2002 revised	2003 provisional
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## Capital exports<sup>2</sup> in millions of Swiss francs

<b>2. Emerging economies</b>	<b>6244</b>	<b>2014</b>	<b>730</b>	<b>-253</b>	<b>892</b>
<b>Asia</b>	<b>4949</b>	<b>838</b>	<b>227</b>	<b>729</b>	<b>367</b>
Hong Kong	665	-63	258	-203	134
Korea (South)	179	184	86	-11	27
Malaysia	227	-25	67	-34	81
Philippines	57	313	98	-272	-84
Singapore	3811	222	-523	1050	-14
Taiwan	92	160	34	31	41
Thailand	-82	46	206	167	182
<b>Central and South America</b>	<b>1295</b>	<b>1177</b>	<b>503</b>	<b>-981</b>	<b>525</b>
Argentina	-103	48	533	-542	357
Brazil	844	246	-808	-615	162
Chile	17	-27	-163	-8	-23
Mexico	537	910	941	184	29
<b>3. Developing countries</b>	<b>5614</b>	<b>9739</b>	<b>6421</b>	<b>-519</b>	<b>3367</b>
<b>Asia</b>	<b>-21</b>	<b>251</b>	<b>631</b>	<b>-35</b>	<b>211</b>
of which					
China (People's Republic)	-143	212	181	-64	0
India	-59	-43	139	76	135
Indonesia	10	-22	156	36	-13
Lebanon	-13	-143	12	17	2
Pakistan	7	59	42	18	23
Saudi Arabia	60	-83	-6	7	-18
United Arab Emirates	19	85	55	-52	-38
Viet-Nam	-18	-33	-19	-40	25
<b>Central and South America</b>	<b>5343</b>	<b>9233</b>	<b>5702</b>	<b>-233</b>	<b>3085</b>
of which					
Costa Rica	0	-17	13	17	86
Ecuador	20	23	55	42	14
Guatemala	22	-97	-8	-8	-6
Colombia	115	-109	-70	-189	37
Peru	47	57	36	-42	-11
Uruguay	291	299	90	152	37
Venezuela	11	127	176	-239	177
Offshore financial centres <sup>7</sup>	4703	8998	5546	-492	3600
<b>Africa</b>	<b>293</b>	<b>255</b>	<b>89</b>	<b>-251</b>	<b>71</b>
of which					
Egypt	93	11	82	48	31
Côte d'Ivoire	-26	-47	-6	-93	4
Morocco	2	-30	37	26	34
Nigeria	-7	4	8	3	26
<b>All countries</b>	<b>49986</b>	<b>75446</b>	<b>30782</b>	<b>12262</b>	<b>21131</b>

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

	1999	2000	2001	2002 revised	2003 provisional
<b>Capital imports<sup>2</sup> in millions of Swiss francs</b>					
<b>Manufacturing</b>	<b>2944</b>	<b>16380</b>	<b>-1725</b>	<b>89</b>	<b>4336</b>
Chemicals and plastics	361	3119	278	-316	1700
Metals and machinery	-710	7992	-39	165	489
Electronics, energy, optical and watchmaking industries	2312	3239	-2435	264	1861
Other manufacturing and construction	983	2030	472	-24	286
<b>Services</b>	<b>14659</b>	<b>16139</b>	<b>16670</b>	<b>9399</b>	<b>11269</b>
Trade	1750	2231	572	1624	-136
Finance and holding companies	5520	5156	5513	8331	8666
Banks	65	2626	2545	502	1267
Insurance	4707	1917	1721	-1414	447
Transportation and communications	1853	3552	6177	-57	917
Other services	764	656	142	413	109
<b>Total</b>	<b>17603</b>	<b>32519</b>	<b>14945</b>	<b>9488</b>	<b>15605</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>

	1999	2000	2001	2002 revised	2003 provisional
<b>Capital imports<sup>2</sup> in millions of Swiss francs</b>					
<b>1. Europe and non-European industrial countries</b>	<b>17459</b>	<b>31355</b>	<b>14602</b>	<b>9679</b>	<b>14574</b>
<b>EU</b>	<b>9224</b>	<b>12939</b>	<b>11385</b>	<b>7634</b>	<b>6423</b>
of which					
Belgium	177	226	169	-266	-28
Denmark	-52	873	1840	-108	-32
Germany	2907	4022	-1425	-321	-399
France <sup>3</sup>	615	587	944	2685	1187
Italy	476	1954	299	410	116
Luxembourg	431	2852	791	306	-213
Netherlands	-1183	538	7505	-46	3621
Austria	114	266	23	105	-10
Sweden	-1	62	-48	189	290
Spain	475	102	50	34	29
United Kingdom <sup>4</sup>	5238	1330	1211	4726	2215
<b>EFTA</b>	<b>3</b>	<b>30</b>	<b>-26</b>	<b>133</b>	<b>80</b>
<b>Other European countries<sup>5</sup></b>	<b>23</b>	<b>52</b>	<b>53</b>	<b>-965</b>	<b>-36</b>
of which					
Turkey	23	26	1	20	4
<b>North America</b>	<b>9669</b>	<b>18443</b>	<b>2869</b>	<b>3075</b>	<b>8371</b>
Canada	-189	7832	-454	193	379
United States	9858	10611	3323	2883	7992
<b>Other non-European industrial countries</b>	<b>-1464</b>	<b>-80</b>	<b>313</b>	<b>-244</b>	<b>-263</b>
of which					
Japan	-1509	-37	278	-291	-264
<b>2. Emerging economies</b>	<b>-11</b>	<b>814</b>	<b>181</b>	<b>8</b>	<b>146</b>
<b>3. Developing countries</b>	<b>155</b>	<b>351</b>	<b>162</b>	<b>-199</b>	<b>885</b>
<b>Asia</b>	<b>44</b>	<b>20</b>	<b>22</b>	<b>-293</b>	<b>33</b>
of which					
Israel	36	-8	14	-310	23
<b>Central and South America</b>	<b>109</b>	<b>322</b>	<b>136</b>	<b>90</b>	<b>848</b>
<b>Africa</b>	<b>3</b>	<b>9</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>All countries</b>	<b>17603</b>	<b>32519</b>	<b>14945</b>	<b>9488</b>	<b>15605</b>

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

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

## **Rising equity prices abroad and...**

International financial markets staged a recovery in the course of 2003. Although equity prices were still falling in the first quarter, they subsequently gained ground on all major stock exchanges. Yields on long-term government bonds declined in the first half of the year before moving up again slightly in the second half. Net borrowing on the international financial markets rose vigorously. Euro-denominated investment again gained market shares, in particular to the detriment of dollar investments. The proportion of Swiss franc paper remained unchanged.

## **...in Switzerland**

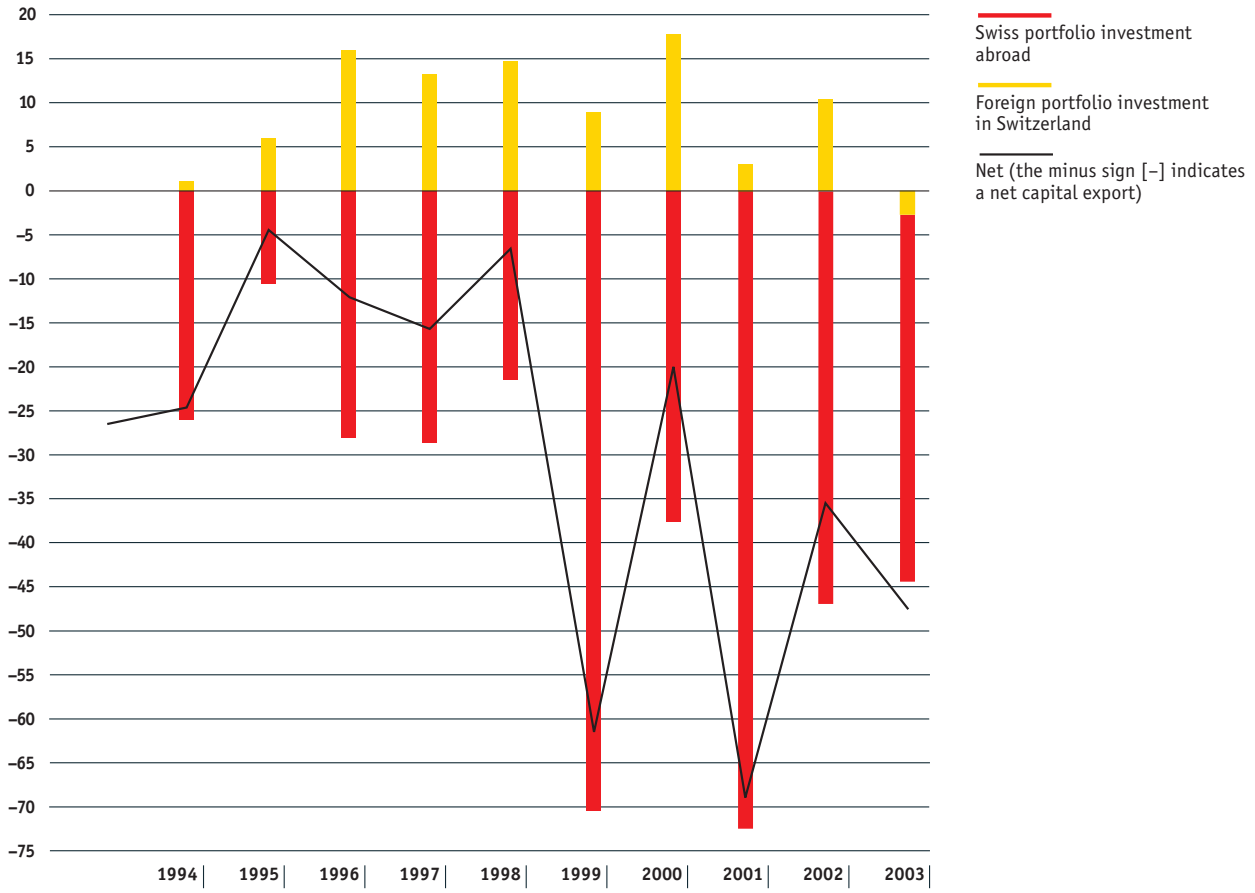
The domestic financial market followed the international trend. Share prices in all industries recovered after the first quarter, albeit to varying degrees. The yield on 10-year Swiss Confederation bonds moved up after mid-year, but short-term interest rates remained low. Net borrowing on the Swiss capital market was considerably higher in 2003 than in the previous year. This increase was attributable to higher borrowing by domestic issuers.

## **Portfolio investment abroad down slightly**

Net purchases of foreign issuers' securities diminished by CHF 2 billion to CHF 45 billion in 2003. Given the recovery of the financial markets, this development is unusual. Demand for equity securities in particular was extremely weak at CHF 3 billion in spite of improved sentiment on the equity markets. In the previous year, investment had totalled a substantial CHF 12 billion. Nearly three-quarters of total funds flowed into fixed-interest bonds, while CHF 9 billion was invested in money market paper. In the debt securities category, the Swiss franc was the major investment currency by far: securities totalling CHF 26 billion were purchased, while the euro ranked second at CHF 9 billion. The US dollar was the dominant currency for equity securities.

## **Foreign portfolio invest- ment retreating from Swiss equities market**

As to portfolio investment in Switzerland, foreign investors withdrew funds totalling CHF 6 billion from Swiss shares and investment funds in 2003. In the previous year, investments in the Swiss equity market had amounted to CHF 9 billion. Debt securities saw an influx of funds in 2003, with net acquisitions amounting to CHF 4 billion. Half of the amount was invested in bonds and money market paper. Portfolio investment in Switzerland generated a net outflow of CHF 3 billion overall in 2003 compared with an inflow totalling CHF 11 billion a year earlier.



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

	1999	2000	2001	2002	2003
<b>Swiss portfolio investment abroad</b>	<b>-70360</b>	<b>-37676</b>	<b>-72299</b>	<b>-46624</b>	<b>-44494</b>
Debt securities	-44072	-3354	-47055	-34750	-41623
Bonds and notes	-39825	-1709	-39287	-29556	-32882
Money market paper	-4247	-1645	-7767	-5194	-8741
Equity securities	-26288	-34322	-25244	-11874	-2871
Shares	-16520	-21805	-12688	-6846	551
Investment funds	-9768	-12517	-12556	-5028	-3335
<b>Foreign portfolio investment in Switzerland</b>	<b>8853</b>	<b>17813</b>	<b>3199</b>	<b>11414</b>	<b>-2527</b>
Debt securities	607	2478	82	2623	3676
Bonds and notes	501	2273	-771	-3	2180
Public sector	-153	1069	2364	-209	509
Other	654	1204	-3135	206	1677
Money market paper	106	205	853	2626	1499
Equity securities	8246	15335	3117	8791	-6212
Shares	876	8194	-5048	8935	-5643
Investment funds	7370	7141	8165	-144	-548
<b>Net</b>	<b>-61507</b>	<b>-19863</b>	<b>-69100</b>	<b>-35210</b>	<b>-47021</b>

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



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

	1999	2000	2001	2002	2003
<b>Swiss portfolio investment abroad</b>	<b>-70360</b>	<b>-37676</b>	<b>-72299</b>	<b>-46624</b>	<b>-44494</b>
Debt securities	-44072	-3354	-47055	-34750	-41623
CHF	-11894	-165	-7680	-8302	-26370
EUR	-14981	-8048	-28553	-14350	-8528
USD	-13885	3710	-10421	-8438	-3194
Other currencies	-3311	1150	-402	-3660	-3531
Equity securities	-26288	-34322	-25244	-11874	-2871
CHF	-5211	-2517	-4010	-1567	319
EUR	-6501	-16072	-10083	-2336	2850
USD	-7455	-10160	-9665	-7524	-4415
Other currencies	-7121	-5574	-1487	-447	-1626
<b>Foreign portfolio investment in Switzerland</b>	<b>8853</b>	<b>17813</b>	<b>3199</b>	<b>11414</b>	<b>-2527</b>
Debt securities	607	2478	82	2623	3676
CHF	-123	3292	2996	3098	3277
EUR	-1517	342	-813	-586	-281
USD	1043	-199	-1569	35	475
Other currencies	1204	-957	-532	76	206
Equity securities	8246	15335	3117	8791	-6203
CHF	1690	12114	1013	8911	-5557
EUR	4094	3100	561	-1238	188
USD	1155	927	4153	1212	-549
Other currencies	1307	-806	-2610	-93	-285
<b>Net</b>	<b>-61507</b>	<b>-19863</b>	<b>-69100</b>	<b>-35210</b>	<b>-47021</b>

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

# Other investment

## Capital exports of banks decreased

### Commercial bank lending

The volume of lending business of the Swiss banks with banks abroad – interbank lending operations – fell considerably in 2003. On balance, funds exported via the interbank market decreased from CHF 40 billion in the previous year to CHF 17 billion in 2003. By contrast, banks expanded their lending business with customers abroad considerably: they extended loans totalling CHF 10 billion to these clients. In the previous year, redemptions had exceeded new loans granted to customers. In the customer deposit category, the banks recorded an inflow of new funds totalling CHF 20 billion (previous year: CHF 10 billion). Capital outflows were primarily denominated in US dollars, while inflows were mostly transacted in euros.

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

	1999	2000	2001	2002 revised	2003 provisional
<b>Claims abroad</b>	<b>-116.1</b>	<b>-140.4</b>	<b>45.9</b>	<b>-85.5</b>	<b>-14.3</b>
Claims on banks	-106.4	-123.6	41.9	-88.3	-4.3
long-term	-10.7	-5.3	16.4	2.3	-13.6
short-term	-95.7	-118.3	25.5	-90.6	9.3
Other claims	-9.7	-16.8	4.0	2.8	-10.0
<b>Liabilities abroad</b>	<b>143.6</b>	<b>151.4</b>	<b>-27.9</b>	<b>58.7</b>	<b>7.5</b>
Liabilities vis-à-vis banks	134.6	159.3	-29.1	48.8	-12.8
long-term	14.2	-2.4	-15.1	-0.7	5.0
short-term	120.5	161.6	-14.0	49.5	-17.8
Other liabilities	9.0	-7.8	1.2	9.9	20.3
long-term	0.2	-1.2	2.3	2.0	2.9
short-term	8.8	-6.6	-1.2	7.9	17.4
<b>Net</b>	<b>27.5</b>	<b>11.0</b>	<b>18.0</b>	<b>-26.8</b>	<b>-6.8</b>
Bank credits	28.2	35.7	12.8	-39.5	-17.1
Other credits	-0.7	-24.6	5.2	12.7	10.2

<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

	1999	2000	2001	2002 revised	2003 provisional
<b>Claims abroad</b>	<b>-116.1</b>	<b>-140.4</b>	<b>45.9</b>	<b>-85.5</b>	<b>-14.3</b>
CHF	9.8	-5.3	-5.7	-4.9	-2.6
USD	-62.8	-32.7	24.6	-114.0	-25.9
EUR	-55.3	-27.7	1.8	-13.7	-11.6
Other currencies	-6.5	-78.0	26.4	47.9	23.4
All currencies	-114.8	-143.7	47.1	-84.6	-16.6
Precious metals	-1.4	3.3	-1.2	-0.9	2.3
<b>Liabilities abroad</b>	<b>143.6</b>	<b>151.4</b>	<b>-27.9</b>	<b>58.7</b>	<b>7.5</b>
CHF	7.0	-0.7	9.3	-17.4	-0.8
USD	45.2	42.8	9.9	83.6	-13.6
EUR	57.6	14.5	25.6	20.4	35.7
Other currencies	33.5	96.1	-73.2	-26.5	-13.4
All currencies	143.3	152.7	-28.5	60.2	8.0
Precious metals	0.3	-1.3	0.5	-1.5	-0.5
<b>Net</b>	<b>27.5</b>	<b>11.0</b>	<b>18.0</b>	<b>-26.8</b>	<b>-6.8</b>
CHF	16.8	-6.0	3.6	-22.3	-3.3
USD	-17.6	10.0	34.5	-30.3	-39.4
EUR	2.3	-13.2	27.3	6.7	24.1
Other currencies	27.0	18.2	-46.8	21.5	10.0
All currencies	28.5	9.1	18.7	-24.5	-8.7
Precious metals	-1.1	2.0	-0.7	-2.4	1.8

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

**Net inflow due to higher liabilities abroad**

**Corporate lending**

In 2003, Swiss companies extended loans amounting to CHF 3 billion to counterparties abroad (excluding intragroup lending shown under direct investment). A year previously, lending had stood at CHF 8 billion. The chemical and the insurance industries together withdrew CHF 5 billion from abroad. The electronics industry, by contrast, granted CHF 4 billion in loans abroad while trading companies extended loans totalling CHF 2 billion. Liabilities abroad expanded by CHF 9 billion. In the previous year, liabilities of CHF 1 billion had been repaid to creditors abroad. At CHF 7 billion, the bulk of the liabilities abroad was accounted for by insurance companies. Corporate lending thus recorded a net inflow of CHF 6 billion. In 2002, there was an outflow of CHF 9 billion.

## 11 Corporate lending: breakdown by economic activity<sup>1,2,3</sup> in millions of Swiss francs

	1999	2000	2001	2002 revised	2003 provisional
<b>Claims abroad</b>	<b>2011</b>	<b>-13939</b>	<b>-11474</b>	<b>-7610</b>	<b>-2849</b>
<b>Manufacturing</b>	<b>-2327</b>	<b>-1126</b>	<b>-2335</b>	<b>-4462</b>	<b>-1218</b>
Chemicals and plastics	-1639	-275	-2420	-3975	2706
Metals and machinery	-114	-798	162	-374	511
Electronics, energy, optical and watchmaking industries	-581	-1	32	-208	-4311
Other manufacturing and construction	8	-53	-108	94	-124
<b>Services</b>	<b>4338</b>	<b>-12813</b>	<b>-9139</b>	<b>-3148</b>	<b>-1631</b>
Trade	-1399	-4167	-1291	-36	-1900
Finance and holding companies	5831	-7799	-5382	5068	-1084
Insurance	1047	1458	-2850	-7771	1965
Transportation and communications	-110	-212	-145	-491	274
Other services	-1031	-2094	530	82	-886
<b>Liabilities abroad</b>	<b>1097</b>	<b>12790</b>	<b>2616</b>	<b>-1130</b>	<b>8920</b>
<b>Manufacturing</b>	<b>726</b>	<b>1598</b>	<b>-923</b>	<b>2096</b>	<b>826</b>
Chemicals and plastics	761	968	-772	2544	-363
Metals and machinery	-289	658	-263	-441	-219
Electronics, energy, optical and watchmaking industries	205	108	65	8	1015
Other manufacturing and construction	49	-136	48	-15	392
<b>Services</b>	<b>370</b>	<b>11193</b>	<b>3538</b>	<b>-3226</b>	<b>8094</b>
Trade	1394	3278	-3804	-1351	500
Finance and holding companies	-202	2330	4362	-6469	-53
Insurance	-3124	2493	2104	5038	7418
Transportation and communications	544	254	1483	352	172
Other services	1758	2838	-607	-796	57
<b>Net</b>	<b>3107</b>	<b>-1149</b>	<b>-8858</b>	<b>-8740</b>	<b>6071</b>
Manufacturing	-1601	471	-3258	-2366	-392
Services	4708	-1620	-5601	-6373	6464

1 The breakdown by sector and by economic activity refers to the company's core business in Switzerland.

2 Excluding intragroup lending, which is shown under direct investment.

3 The minus sign (-) indicates an outflow of capital.

## Reserve assets

### Higher reserve assets

In 2003, the Swiss National Bank expanded its reserve assets by CHF 4.5 billion (transaction-related). Reserve assets had already been increased by CHF 3.7 billion a year earlier. The funds were mostly invested in securities. The reserve position in the IMF was cut back slightly. Half of the investment was made in US dollars and the other half in euros. Gold sales to the private sector effected in 2003 (demonetisation of gold) are not shown under reserve assets but under other investment (cf. box).

#### **Accounting method for the National Bank's reserve assets**

Since 2000, the National Bank's reserve assets have been shown as flows excluding valuation-induced changes, in compliance with the current IMF guidelines. Previously, changes in holdings along with the valuation-induced changes had been stated according to the old balance of payments standard instead of these flows. Following the introduction of the new accounting method, counterentries for non-transaction-related changes in holdings are no longer made.

When the Federal Act on Currency and Payment Instruments entered into force on 1 May 2000, the National Bank altered the management of its gold holdings and started to sell gold under the "central bank agreement". These gold sales to the private sector do not figure under reserve assets in the balance of payments but are referred to as "demonetisation of gold". Consequently, they are not recorded as reserve assets. Reserve assets refer exclusively to gold transactions for reserve operations with central banks.

## Residual item (net errors and omissions)

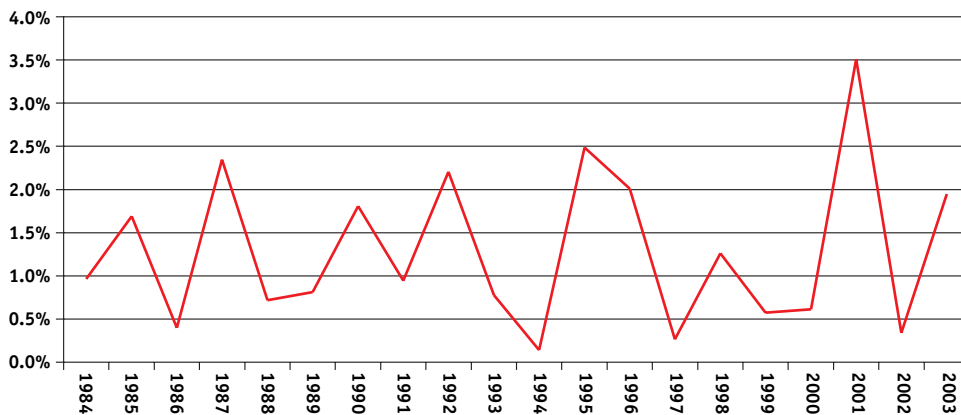
The residual item corresponds to the difference between the total of all balance of payments credit entries (current account receipts, capital transfers from abroad, capital imports) and debit entries (current account expenses, capital transfers abroad, capital exports). This difference arises from errors 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 some cases only one side has been recorded statistically. If, for example, the acquisition of a company 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. The residual item carries a negative sign if the credit side is in surplus or a positive sign if it is in deficit.

In 2003, the balance of payments recorded a (negative) residual item of CHF 13 billion. In relation to the total of transactions recorded in the balance of payments, this accounts for 1.9%. The residual item fluctuates strongly from year to year. A year earlier, a positive residual item of CHF 3 billion had been stated, which corresponds to 0.3% of total turnover. The average residual item during the last 20 years accounted for 1.2% of the total turnover shown in the balance of payments. Understandably, it is not known which components of the balance of payments contribute to the residual item. The sharp fluctuations in the residual item nonetheless suggest that the shortfalls are more likely to be found in the volatile financial account.

### Negative residual item

Net errors and omissions (absolute terms) in % of balance of payments transactions

Graph 9



# Notes

## Changes from the previous year

<b>Current account</b>	See adjustments of the current account to the national accounts pursuant to ESA95, page 8.
<b>Tourism</b>	Since 2003, consumption expenditure of foreign workers has not only included consumption expenditure by cross-border commuters but also by persons with short-term residence permits working in Switzerland for less than four months.
<b>Labour income</b>	Since 2003, labour income to other countries has also taken account of the salaries and wages and of persons with short-term residence permits working in Switzerland for less than four months.

## Current account

<b>Special trade</b>	Exports f.o.b., imports c.i.f., according to the foreign trade statistics of the Federal Customs Administration, 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.
<b>Electrical energy</b>	Exports and imports of electricity excluding substitution energy.
<b>Other goods</b>	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, returned goods (negative exports and negative imports), purchase and sale of Rhine vessels, transportation costs and insurance premiums on imports, unchecked goods trade, small consignments, imports of industrial gold and silver, goods procured in ports.
<b>Tourism</b>	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 foreign cross-border commuters and holders of short-term residence permits.
<b>Other services</b>	Service charges arising from foreign business of "private social security schemes" and other private insurance companies (premiums earned plus investment income minus claims paid), merchanting, transportation, postal and courier services, telecommunications, financial services (bank commissions), technological services (construction services, commercial and technical consulting, royalties and licence fees incl. management fees), purchases of goods and services by foreign representatives in Switzerland, by Swiss representatives abroad and by international organisations in Switzerland, fees of embassies and consulates, management of domiciliary companies, law offices and fiduciary companies, cultural services, etc., government revenue from stamp duty.
<b>Labour income</b>	Gross salaries and wages of Swiss cross-border commuters and of residents with foreign employers (international organisations and consular representations in Switzerland); gross salaries and wages 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) as well as to SUVA (Swiss National Accident Insurance Fund) and pension funds; gross salaries and wages of short-term residents (< 4 months) 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).
<b>Investment income</b>	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 Swiss Confederation, and other investment income (financial leasing fees, etc.), increase in claims by private households abroad on pension fund reserves. Not included are interest earnings on loans by nonbanks.



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Transfers by emigrants to Switzerland, by foreign insurance schemes, etc.; transfers by immigrants, annuities and indemnity payments, pension payments, financial support, foreign aid of private aid agencies, premium income and payments (excluding service charges) by "private social security schemes" and other private insurance companies.

**Current transfers by private persons**

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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 and unemployment insurance), government revenue 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 transfers abroad, tax refunds to cross-border commuters' countries of residence as well as government aid to foreign countries.

**Current transfers by the public sector**

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

**Statistical basis of the current account**

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## Capital transfers

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

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## Financial account

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Swiss direct investment abroad: investment by Swiss companies in companies abroad (subsidiaries, branch offices, affiliated companies).

**Direct investment**

Foreign direct investment in Switzerland: investment by foreign companies in companies in Switzerland.

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 loans. The quarterly and annual surveys carried out by the Swiss National Bank form the statistical basis.

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Portfolio investment abroad: investment by residents in debt securities 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. Data submitted by the banks on the acquisition of securities by domestic customers form the statistical basis. Acquisitions by banks and companies are derived from the statistics on foreign borrowing and lending.

**Portfolio investment**

Portfolio investment in Switzerland: foreign investment in debt securities 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. Data submitted by the banks on the acquisition of securities by foreign customers form the statistical basis. The data on bonds floated abroad by domestic enterprises are derived from the statistics on the foreign borrowing and lending of enterprises.

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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.

**Other investment  
Commercial bank lending**

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 liabilities in the form of savings and deposits, 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.

Data submitted by domestic banks on their foreign borrowing and lending form the statistical basis.

<b>Other investment Corporate lending</b>	<p>Claims abroad: net change in short- and long-term lending by domestic private companies and government companies to private individuals, banks and companies 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 private individuals, banks and companies abroad to domestic private companies and government enterprises excluding intragroup lending, i.e. excluding credits granted to domestic subsidiaries, branch offices and affiliated companies.</p> <p>Data submitted by the companies to the National Bank form the statistical basis.</p>
<b>Other investment Government lending</b>	<p>Cross-border financial flows of the Swiss Confederation, the cantons and municipalities and of social security schemes.</p> <p>Claims abroad: short- and long-term lending abroad by the public sector.</p> <p>Liabilities abroad: short-term liabilities of the public sector vis-à-vis other countries.</p>
<b>Other investment</b>	<p>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. Data submitted by domestic banks on their foreign borrowing and lending form the statistical basis.</p> <p>Imports and exports of precious metals: the imports and exports 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.</p> <p>The Swiss Confederation's participation in capital increases of international organisations.</p> <p>The sale of real estate in Switzerland to nonresidents 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.</p> <p>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.</p>
<b>Reserve assets and valuation changes</b>	<p>Changes in gold holdings, foreign exchange holdings, the reserve position in the International Monetary Fund (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-related changes in holdings have no longer been made from 2000 onwards.</p>

## Residual item (net errors and omissions)

<b>Non-recorded transactions and statistical errors, net</b>	See Methodological basis
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## Legal basis

<b>New legal basis for the statistical surveys of the balance of payments and the international invest- ment position (as from 1 May 2004)</b>	<p>According to the Federal Act on the Swiss National Bank (National Bank Act) of 3 October 2003 and the Implementing Ordinance on the National Bank Act of 18 March 2004, the Swiss National Bank is authorised to collect the required statistical data for drawing up the balance of payments and the statistics on the international investment position. Pursuant to the Appendix to the Implementing Ordinance of the National Bank Act, legal entities and companies are obliged to supply information if the transaction value of a reporting item exceeds CHF 100,000 per quarter (CHF 1 million for a reporting item relating to the financial account); if their financial claims or liabilities vis-à-vis other countries exceed CHF 10 million at the time of the survey; if their direct investment abroad or direct investment from abroad exceed CHF 10 million at the time of the survey.</p>
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# Methodological basis

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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).

## Definition

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

## Current account

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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 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.

## Transfers

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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 companies abroad with equity character), portfolio investment (investment in foreign securities), other investment (mainly lending by banks and companies to non-residents) and reserve assets.

## Financial account

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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 twice in the balance of payments so that it should be balanced arithmetically. In actual practice, however, this principle cannot always be applied.

## Residual item (non-recorded transactions and statistical errors, net)

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.

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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 link between the main aggregates in the balance of payments

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

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.

<u>Balance of Payments</u>	<u>System of national accounts</u>
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) Current account, net	Balance of domestic savings and investment
4) Current account, net + net capital transfers, net	Financial surplus/deficit

The 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

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

## Definition of regions

Comprises Norway (incl. Svålbard and Jan Mayen) and Iceland. Excl. Liechtenstein, which is listed with Switzerland for statistical purposes.	<b>EFTA</b>
Comprises, in addition to the published countries: Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Baltic Republics, Serbia and Montenegro, Macedonia, Moldova, Romania, Slovenia and Ukraine.	<b>Central and Eastern Europe</b>
Comprises, in addition to the published countries: Andorra, Malta, San Marino, Holy See and Cyprus. Until 1999, incl. Monaco. As from 2000, incl. the Faeroe Islands.	<b>Other European countries</b>
Gibraltar, Guernsey, Jersey and the Isle of Man.	<b>Offshore financial centres Europe (as from 2000)</b>
Comprises, in addition to the published countries: Greenland (as from 2000).	<b>North America</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 Asia</b>
Comprises, in addition to the published countries: Aruba, Bolivia, Cuba, Dominican Republic, Falkland Islands, Guyana, Honduras, Haiti, Nicaragua, Paraguay, Surinam, El Salvador, Trinidad and Tobago, St Vincent and the Grenadines. Until 1999, incl. Guadeloupe, Martinique and French Guiana.	<b>Developing countries Central and South America</b>
Anguilla, Bahamas, Barbados, Bermuda, Virgin Islands (British), Jamaica, Cayman Islands, Montserrat, Netherlands Antilles, Panama, St Kitts and Nevis; as from 2000, incl. Virgin Islands (US), Antigua and Barbuda, Belize, Dominica, Grenada, St Lucia, St Vincent and the Grenadines, Turks and Caicos Islands.	<b>Offshore financial centres Central and South America</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, Cape 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, Togo, Chad, Tunisia, Uganda, Central African Republic. Until 1999, incl. Réunion.	<b>Developing countries Africa</b>





