

Communications

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2007 Swiss Balance of Payments

The favourable economic situation and the financial market turmoil characterised the 2007 Swiss balance of payments. As a result of the healthy state of the economy, trade in goods and services was very dynamic. Both inflows and outflows recorded double-digit growth rates. In the second half of the year, however, the US real estate crisis weighed on investment income from subsidiaries abroad. The current account surplus receded in line with this development. The financial account registered a net decline in capital outflows. This was attributable to reduced direct and portfolio investment abroad. On the one hand, direct investment saw a decline in acquisitions by Swiss manufacturing. On the other hand, the crisis on the US mortgage market led to heavy losses by banks. As a result, the retained profits item posted a negative result. Moreover, the turmoil on the financial markets impacted portfolio investment abroad, which was significantly lower than a year previously.

Current account

The current account surplus declined from CHF 71 billion to CHF 68 billion. In relation to gross domestic product, it amounted to 13% (2006: 15%). This decrease was due mainly to the losses by banks' foreign subsidiaries, which led to reduced income from direct investment abroad.

Goods trade (special trade) was very dynamic, particularly in the first three quarters of 2007. All export industries boosted their turnover. Imports of goods advanced at the same rate as exports of goods. High growth rates at banks and insurance companies as well as in merchanting were a major factor in determining income from services. The tourism industry was also buoyant, with receipts registering a decisive increase as well. Higher expenses for licence and patent fees accounted for the rise in imports of services. Expenses for foreign travel (tourism) were also higher than a year earlier.

Investment income exhibited a mixed trend. Higher capital stocks and interest rates led to a sharp increase in income from portfolio investment and banks' interest business. Most industries also achieved higher income from their direct investment abroad. However, the heavy losses sustained by banks abroad in connection with the crisis in the US real estate market resulted in an overall decline in income from direct investment abroad.

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Financial account

The financial account registered a net outflow of CHF 48 billion (2006: CHF 88 billion); this drop was mainly attributable to reduced direct and portfolio investment abroad.

Direct investment abroad declined from CHF 94 billion to CHF 57 billion, owing primarily to a significant decrease in expenditure on acquisitions by manufacturing industry. The EU countries (EU27) and Central and South America received the major share of investment. By contrast, the US saw capital withdrawals as a result of losses by the banks' subsidiaries. Foreign direct investment in Switzerland (capital inflows) rose from CHF 41 billion to CHF 46 billion, thereby reaching an all-time high. This was mainly due to the acquisition of a major chemical company by foreign investors, which pushed up direct investment in manufacturing sharply. Direct investment in the service sector receded, however. In 2006, the takeover of a large insurance company had triggered high inflows.

In net terms, Swiss investors purchased foreign-issued securities totalling CHF 25 billion, as compared with CHF 54 billion a year previously. They again mainly invested in debt securities and units in collective investment schemes, while they sold shares. Foreign investors purchased securities issued by Swiss borrowers in the net amount of CHF 2 billion. Half of the investment was made in debt securities and the other half in equity securities. In the latter category, investors bought units in collective investment schemes at the expense of shares.

Turnover in derivatives and structured products resulted in a net capital outflow of CHF 13 billion compared with CHF 4 billion a year earlier.

High inflows and outflows in banks and companies were the main components of other investment. Net capital inflow was CHF 2 billion, compared with CHF 22 billion in the previous year.

The SNB sold another 145 tonnes of gold to the private sector under the second Central Bank Gold Agreement of 8 March 2004. The National Bank invested the proceeds from the gold sales in CHF 4 billion worth of securities.

Residual item (net errors and omissions)

The balance from the residual item came to CHF -17 billion, compared to CHF +21 billion in the previous year. This accounts for 1% of the total transactions recorded in the balance of payments. Sharp fluctuations in the residual item of the balance of payments are not unusual, suggesting that they are mainly due to gaps in the recording of the financial account.

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Balance of payments, net
In CHF billions

	2003	2004	2005	2006	2007
Current account	56.2	58.2	63.0	70.6	68.3
Goods	4.3	6.7	3.0	5.1	9.4
Services	26.9	28.2	31.5	38.0	44.1
Labour income	-9.7	-10.0	-10.4	-11.2	-12.4
Investment income	42.3	41.5	52.7	50.5	38.5
Current transfers	-7.6	-8.1	-13.8	-11.7	-11.3
Capital transfers	-0.9	-1.8	-0.8	-3.5	-2.8
Financial account	-35.2	-70.2	-85.8	-88.4	-48.1
Direct investment	1.4	-31.5	-66.1	-53.0	-10.3
Portfolio investment	-47.0	-49.7	-59.2	-53.5	-23.3
Derivatives and structured products				-3.7	-12.8
Other investment	14.9	12.8	16.8	22.2	2.2
of which					
Commercial bank lending	-6.8	16.9	1.9	23.5	7.1
Corporate lending	6.1	-12.7	16.9	15.6	3.3
Reserve assets	-4.5	-1.9	22.7	-0.4	-4.1
Residual item (net errors and omissions)	-21.1	13.8	23.6	21.3	-17.4

The *Swiss Balance of Payments* will be available on the SNB website at www.snb.ch, *Publications*, as of 4 September 2008. The printed version may be obtained from the Swiss National Bank as of 24 September 2008. (Subscribers to the SNB's *Monthly Statistical Bulletin* will be sent the report automatically.)

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Chart

- Current account, net

Overview of the Swiss balance of payments¹

In CHF billions

	2003	2004	2005	2006	2007
	1	2	3	4	5
Current account					
Current account, net	56.2	58.2	63.0	70.6	68.3
Goods, net	4.3	6.7	3.0	5.1	9.4
Special trade ² , net	6.9	9.3	7.9	12.1	14.0
Receipts	135.5	146.3	157.0	177.5	197.5
Expenses	- 128.6	- 137.0	- 149.1	- 165.4	- 183.6
Other trade, net	- 2.6	- 2.6	- 4.9	- 7.0	- 4.6
Services, net	26.9	28.2	31.5	38.0	44.1
Tourism, net	2.3	1.9	1.5	2.0	2.3
Receipts	11.6	11.9	12.5	13.5	14.6
Expenses	- 9.3	- 10.1	- 11.0	- 11.6	- 12.3
Bank financial services, net	12.6	13.2	16.2	18.7	22.4
Receipts	13.5	14.2	17.5	20.3	24.6
Expenses	- 0.9	- 1.1	- 1.3	- 1.6	- 2.1
Other services, net	11.9	13.1	13.8	17.3	19.4
Labour income and investment income, net	32.6	31.4	42.3	39.3	26.1
Labour income, net	- 9.7	- 10.0	- 10.4	- 11.2	- 12.4
Receipts	2.1	2.1	2.0	2.1	2.1
Expenses	- 11.7	- 12.2	- 12.4	- 13.4	- 14.5
Investment income, net	42.3	41.5	52.7	50.5	38.5
Receipts	82.4	86.7	125.7	134.2	154.3
Portfolio investment	22.0	23.2	26.5	30.8	37.0
Direct investment	43.6	48.9	76.5	68.4	64.0
Other investment income	16.8	14.6	22.7	35.0	53.2
Expenses	- 40.2	- 45.2	- 73.0	- 83.7	- 115.8
Portfolio investment	- 10.9	- 11.9	- 13.8	- 16.9	- 20.6
Direct investment	- 14.5	- 19.5	- 36.1	- 30.2	- 40.0
Other investment income	- 14.9	- 13.9	- 23.1	- 36.6	- 55.2
Current transfers, net	- 7.6	- 8.1	- 13.8	- 11.7	- 11.3
Capital transfers					
Capital transfers, net	- 0.9	- 1.8	- 0.8	- 3.5	- 2.8
Financial account					
Financial account, net	- 35.2	- 70.3	- 85.8	- 88.4	- 48.1
Direct investment, net	1.4	- 31.5	- 66.1	- 53.0	- 10.3
Swiss direct investment abroad	- 20.8	- 32.7	- 64.4	- 94.3	- 56.7
Equity capital	- 5.6	- 11.6	- 22.7	- 62.4	- 29.5
Reinvested earnings	- 16.1	- 21.2	- 41.0	- 25.9	- 15.1
Other capital	0.9	0.1	- 0.7	- 6.0	- 12.1
Foreign direct investment in Switzerland	22.2	1.2	- 1.7	41.3	46.4
Equity capital	11.7	- 3.2	- 0.5	21.5	23.2
Reinvested earnings	3.8	8.4	- 2.8	16.4	22.3
Other capital	6.8	- 4.0	1.6	3.4	0.9
Portfolio investment, net	- 47.0	- 49.7	- 59.2	- 53.5	- 23.3
Swiss portfolio investment abroad	- 44.5	- 53.3	- 66.3	- 53.6	- 25.0
Debt securities	- 41.6	- 39.2	- 44.3	- 36.1	- 18.7
Bonds and notes	- 32.9	- 48.5	- 48.5	- 46.4	- 33.8
Money market instruments	- 8.7	9.3	4.2	10.3	15.1
Equity securities	- 2.9	- 14.1	- 22.0	- 17.5	- 6.3
Foreign portfolio investment in Switzerland	- 2.5	3.6	7.2	0.1	1.7
Debt securities	3.7	7.0	2.1	- 0.6	1.1
Bonds and notes	2.2	5.3	- 1.5	- 1.0	- 0.6
Money market instruments	1.5	1.8	3.5	0.3	1.7
Equity securities	- 6.2	- 3.4	5.1	0.7	0.6

	2003	2004	2005	2006	2007
	1	2	3	4	5

Financial account (continued)

Derivatives and structured products, net	.	.	.	- 3.7	- 12.8
Other investment, net	14.9	12.8	16.8	22.2	2.2
Commercial bank lending, net	- 6.8	16.9	1.9	23.5	7.1
Claims abroad	- 14.0	- 16.9	- 73.5	- 33.4	- 290.9
Claims against banks	- 4.3	19.6	- 71.4	- 14.5	- 241.5
Other claims	- 9.7	- 36.5	- 2.0	- 18.8	- 49.4
Liabilities abroad	7.2	33.8	75.4	56.9	298.0
Liabilities towards banks	- 12.9	29.2	72.4	53.6	292.3
Other liabilities	20.1	4.7	3.0	3.3	5.8
Corporate lending ³ , net	6.1	- 12.7	16.9	15.6	3.3
Claims abroad	- 2.8	- 13.0	3.4	3.8	- 40.6
Liabilities abroad	8.9	0.3	13.5	11.9	43.8
Government lending, net	- 0.1	0.4	0.1	0.5	3.1
SNB lending, net	- 0.1	- 0.3	- 1.2	0.5	0.0
Other, net	15.8	8.5	- 0.9	- 17.9	- 11.2
Reserve assets, total	- 4.5	- 1.9	22.7	- 0.4	- 4.1

Net errors and omissions

Net errors and omissions	- 20.1	13.8	23.6	21.3	- 17.4
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¹ The minus sign (-) indicates a surplus of imports over exports in the current account, and an export of capital in the other items.

² As of 2002, special trade has also included electrical energy. In addition, it covers processing of goods for foreign account, processing abroad for domestic account and returned goods, all of which, until 2001, were included under other trade.

³ Intragroup lending is shown under direct investment.

Components of the 2006 and 2007 current accounts in CHF billions¹ and percentage change from previous year

In CHF billions

	Receipts			Expenses			Net	
	2006	2007	Percent- age change	2006	2007	Percent- age change	2006	2007
	1	2	3	4	5	6	7	8
Current account								
Goods	185.6	207.0	11.5	- 180.6	- 197.7	9.5	5.1	9.4
Special trade ²	177.5	197.5	11.3	- 165.4	- 183.6	11.0	12.1	14.0
Other goods	8.2	9.5	16.2	- 15.2	- 14.1	- 7.2	- 7.0	- 4.6
Services	69.3	79.5	14.8	- 31.3	- 35.4	13.0	38.0	44.1
Tourism	13.5	14.6	8.0	- 11.6	- 12.3	6.4	2.0	2.3
Private insurance	4.7	5.8	24.5	- 0.5	- 0.6	34.4	4.2	5.2
Merchanting	8.8	10.7	21.3	.	.	.	8.8	10.7
Transportation	5.7	6.5	15.1	- 3.9	- 4.3	11.0	1.8	2.2
Postal, courier and telecommu- nications services	1.4	1.3	- 7.2	- 1.0	- 1.0	- 4.6	0.4	0.3
Other services	35.2	40.6	15.4	- 14.4	- 17.2	19.4	20.8	23.4
Bank financial services	20.3	24.6	21.2	- 1.6	- 2.1	33.5	18.7	22.4
Technological services	10.3	11.1	8.3	- 11.5	- 13.7	19.4	- 1.2	- 2.6
Other services	4.6	4.9	5.5	- 1.3	- 1.4	1.9	3.3	3.5
Labour income and investment income	136.3	156.4	14.7	- 97.0	- 130.3	34.3	39.3	26.1
Labour income	2.1	2.1	- 1.6	- 13.4	- 14.5	8.8	- 11.2	- 12.4
Investment income	134.2	154.3	15.0	- 83.7	- 115.8	38.4	50.5	38.5
Current transfers	22.1	27.4	24.0	- 33.8	- 38.7	14.4	- 11.7	- 11.3
Private transfers	18.1	23.2	27.8	- 26.5	- 31.0	17.1	- 8.3	- 7.8
Public transfers	3.9	4.2	6.5	- 7.3	- 7.6	4.6	- 3.4	- 3.4
Total	413.3	470.3	13.8	- 342.7	- 402.0	17.3	70.6	68.3

¹ Differences in the totals are due to the rounding of figures.

² As of 2002, special trade has also included electrical energy. In addition, it covers processing of goods for foreign account, processing abroad for domestic account and returned goods, all of which, until 2001, were included under other trade.

Swiss direct investment abroad – by country¹

Capital outflows^{2,3,4}

In CHF millions

	2003	2004	2005	2006	2007
	1	2	3	4	5
Europe	9 437	14 550	24 649	38 362	34 614
EU ⁵	6 524	14 911	20 963	36 214	28 250
Other European countries ⁶	2 912	- 361	3 687	2 148	6 364
Selected countries					
Baltic countries ⁷	7	- 14	79	75	64
Belgium	2 634	786	- 2 981	182	- 627
Bulgaria	37	29	78	57	96
Denmark	485	220	- 416	561	- 812
Germany	304	98	8 259	8 798	2 153
Finland	16	405	- 14	406	334
France ⁸	- 1 873	3 197	1 909	1 622	1 029
Greece	369	108	282	538	849
Ireland	33	- 511	1 493	9 326	1 756
Italy	- 1 877	154	900	1 695	7 903
Croatia	64	50	51	69	182
Luxembourg	4 352	- 302	- 3 266	7 777	12 532
Netherlands	583	3 785	8 877	- 6 183	- 2 952
Norway	.	- 1 975	261	200	- 189
Austria	595	627	605	1 730	154
Poland	117	340	465	460	510
Portugal	- 266	45	- 21	1 854	- 1 034
Romania	86	108	154	330	- 124
Russian Federation	- 21	294	887	1 381	672
Sweden	401	737	- 2 020	- 501	- 172
Slovakia	- 4	93	31	78	37
Spain	27	471	2 699	961	- 1 658
Czech Republic	- 496	366	822	- 266	303
Turkey	51	213	722	42	252
Ukraine	69	180	192	685	190
Hungary	132	- 65	564	273	- 1 036
United Kingdom ⁹	741	4 597	2 639	6 796	8 288
Offshore financial centres ¹⁰	2 855	661	1 212	- 765	5 399
North America	6 769	8 878	22 832	23 251	- 4 377
Canada	353	3 141	6 077	1 907	2 433
United States	6 416	5 737	16 755	21 344	- 6 809
Central and South America	3 753	3 281	7 465	20 370	15 254
of which					
Argentina	345	62	407	10	221
Bolivia	10	3	8	0	40
Brazil	163	444	662	3 751	11 735
Chile	- 14	31	96	152	- 129
Costa Rica	85	38	476	646	755
Ecuador	14	15	50	- 38	49
Guatemala	13	1	0	14	- 0
Colombia	- 19	12	119	- 99	3
Mexico	- 61	155	107	757	269
Peru	- 61	100	- 34	- 26	87
Uruguay	33	80	135	132	130
Venezuela	178	97	90	181	217
Offshore financial centres ¹¹	3 943	2 081	3 369	15 354	922

2003	2004	2005	2006	2007
1	2	3	4	5

Asia	128	5 180	6 757	10 319	8 656
of which					
Bangladesh	- 0	19	- 3	13	- 16
China (People's Republic)	- 188	196	829	920	562
Hong Kong	101	- 144	607	1 154	757
India	140	164	248	370	664
Indonesia	- 32	2	108	25	99
Israel	44	47	80	154	45
Japan	- 165	1 045	113	644	1 678
Korea, Republic of (South Korea)	6	22	670	498	754
Malaysia	209	- 3	- 76	109	51
Pakistan	21	220	183	296	267
Philippines	- 62	- 212	775	584	367
Saudi Arabia	- 18	- 19	108	69	16
Singapore	- 202	3 687	2 162	4 442	3 602
Sri Lanka	- 14	6	10	6	14
Taiwan	45	55	189	116	- 129
Thailand	180	124	285	509	208
United Arab Emirates	- 22	4	- 47	178	- 122
Viet Nam	25	8	- 22	48	2
Africa	- 248	- 372	1 731	781	1 208
of which					
Egypt	31	28	276	161	- 46
Côte d'Ivoire	4	- 16	- 2	77	6
Kenya	- 2	11	13	21	8
Morocco	34	6	59	34	23
Nigeria	26	3	- 6	19	22
South Africa	- 243	- 72	1 095	402	970
Tunisia	- 9	4	6	- 5	6
Oceania	957	1 150	949	1 189	1 323
of which					
Australia	992	1 138	869	1 123	1 198
New Zealand	- 54	9	58	38	109
All countries	20 795	32 666	64 384	94 273	56 679

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 Expansion of the reporting population in 2004.

⁴ Until 1985, excl. banks.

⁵ Until 1994, EU12; as of 1995, EU15; as of 2004, EU25; as of 2007, EU27.

⁶ Until 1994, incl. Finland, Austria and Sweden; as of 2000 incl. Guernsey, Jersey and the Isle of Man, excl. Monaco; until 2003, incl. Baltic countries, Malta, Poland, Slovakia, Slovenia, Czech Republic, Hungary and Cyprus; until 2006, incl. Bulgaria and Romania.

⁷ Estonia, Latvia and Lithuania.

⁸ As of 2000, incl. Monaco, Réunion, French Guiana, Guadeloupe and Martinique.

⁹ Until 1999, incl. Guernsey, Jersey and the Isle of Man.

¹⁰ Gibraltar, Guernsey, Jersey and the Isle of Man

¹¹ Anguilla, Bahamas, Barbados, Bermuda, Virgin Islands (British), Jamaica, Cayman Islands, Montserrat, Netherlands Antilles, Panama, St Kitts and Nevis; as of 2000, incl. Virgin Islands (US), Antigua and Barbuda, Belize, Dominica, Grenada, St Lucia, St Vincent and the Grenadines, Turks and Caicos Islands.

Foreign direct investment in Switzerland – by country¹

Capital inflows^{2,3}

In CHF millions

	2003	2004	2005	2006	2007
	1	2	3	4	5
Europe	14 159	- 3924	22 771	36 741	42 253
EU ⁴	14 125	- 4034	22 803	36 647	42 809
Other European countries ⁵	34	110	- 31	95	- 556
Selected countries					
Belgium	4 807	320	- 1 073	107	992
Denmark	- 33	314	1 037	924	622
Germany	- 21	- 295	768	1 074	15 387
France ⁶	939	784	2 158	13 886	2 677
Italy	- 96	- 2 131	211	386	723
Luxembourg	314	574	- 278	3 409	2 911
Netherlands	6 025	- 2 437	9 102	15 708	13 154
Austria	- 9	735	9 826	2 534	5 083
Sweden	244	- 25	- 913	133	721
Spain	29	122	500	58	87
United Kingdom ⁷	1 765	- 1 874	1 370	- 1 906	393
North America	7 213	7 007	- 25 318	4 292	4 177
Canada	290	111	- 455	311	958
United States	6 923	6 896	- 24 863	3 980	3 219
Central and South America	932	- 1 400	878	135	- 5
of which					
Offshore financial centres ⁸	941	- 1 967	653	113	9
Asia, Africa and Oceania	- 79	- 524	- 14	118	- 2
of which					
Israel	26	33	62	54	35
Japan	- 263	- 229	- 117	- 90	9
All countries	22 224	1 159	- 1 682	41 286	46 422

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

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

³ Expansion of the reporting population in 2004.

⁴ Until 1994, EU12; as of 1995, EU15; as of 2004, EU25; as of 2007, EU27.

⁵ Until 1994, incl. Finland, Austria and Sweden; as of 2000 incl. Guernsey, Jersey and the Isle of Man, excl. Monaco; until 2003, incl. Baltic countries, Malta, Poland, Slovakia, Slovenia, Czech Republic, Hungary and Cyprus; until 2006, incl. Bulgaria and Romania.

⁶ As of 2000, incl. Monaco, Réunion, French Guiana, Guadeloupe and Martinique.

⁷ Until 1999, incl. Guernsey, Jersey and the Isle of Man.

⁸ Virgin Islands (US), Anguilla, Antigua and Barbuda, Bahamas, Barbados, Belize, Bermuda, Virgin Islands (British), Dominica, Grenada, Jamaica, Cayman Islands, Montserrat, Netherlands Antilles, Panama, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Turks and Caicos Islands.

Current account, net

