

## Communications

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## Direct investment in 2009

### **Declining Swiss capital outflows for direct investment abroad due to less acquisition activity on the part of manufacturing – employment at subsidiaries abroad falls for the first time since 2003 – higher capital inflows for foreign direct investment in Switzerland**

In 2009, capital outflows for direct investment abroad declined from CHF 60 billion to CHF 36 billion. In particular, acquisition activity abroad by manufacturing was scaled back heavily against the backdrop of a difficult global economic environment, and this invested significantly less (CHF 13 billion) than in the previous year (CHF 39 billion). By contrast, capital outflows of banks and insurers bounced back strongly after having been the most affected by the financial crisis the year before.

The capital stock in the subsidiaries of Swiss direct investors abroad rose by CHF 85 billion to CHF 866 billion. The capital stock of finance and holding companies abroad rose the most strongly of all, namely by CHF 43 billion to CHF 270 billion. This strong increase was partly due to groups previously located abroad transferring their headquarters to Switzerland. Their direct investments abroad are now included in Swiss statistics. The number of staff employed at subsidiaries abroad declined for the first time since 2003, namely by 28,000 to 2.629 million.

Income from direct investment abroad amounted to CHF 56 billion. In the previous year, this figure had fallen to CHF 8 billion due to the losses suffered by the banks' foreign subsidiaries.

By comparison with other countries, Switzerland has relatively high levels of direct investment abroad. This is evident from the ratio of Swiss direct investment abroad to nominal gross domestic product (GDP), which amounted to 164% at the end of 2009. In the Netherlands this ratio amounted to 107%, while in Ireland it was 85%. As recently as 1990, Switzerland had a ratio of 28% and lagged behind both the Netherlands (36%) and Ireland (31%) (source: Unctad, *World Investment Report 2010*).

Foreign direct investment activity in Switzerland increased strongly compared to the previous year. Foreign direct investors purchased more companies in Switzerland, increased their capital in existing subsidiaries in Switzerland more substantially than the previous year, and reinvested more of their profits in subsidiaries. Capital inflows rose from CHF 16 billion to CHF 29 billion overall.

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The stock of foreign direct investment in Switzerland rose by CHF 38 billion to CHF 513 billion. In the breakdown of capital stock by country of the immediate investor there were some significant changes due to adjustments to the corporate structure of US groups. As a consequence, the capital stock held by Luxembourg and the Netherlands increased strongly, while that of the US, Central and South America declined. By contrast, there was no significant change in the geographical distribution when broken down by country of ultimate beneficial owner.

Income earned on foreign direct investment in Switzerland declined from CHF 46 billion to CHF 38 billion. This decline was predominantly accounted for by the income of *finance and holding companies*; the remaining categories generated more or less the same income as the previous year.

The number of employed persons in the 8,700 or so foreign subsidiaries in Switzerland rose by 20,000 to 419,000 (+5%). Some 11% of the 3.992 million people employed in Switzerland therefore work in companies controlled by foreign direct investors.

#### Direct investment in 2009: Overview

	2008	2009	Change in percent
<b>Swiss direct investment abroad<sup>1</sup></b>			
Capital outflows in CHF billions	59.9	36.2	-39.6
Capital stock in CHF billions	780.9	865.5	10.8
Investment income in CHF billions	7.9	56.3	613.8
Number of staff in thousands	2 657.3	2 629.1	-1.1
<b>Foreign direct investment in Switzerland<sup>1</sup></b>			
Capital inflows in CHF billions	16.4	29.3	78.8
Capital stock in CHF billions	474.8	512.8	8.0
Investment income in CHF billions	46.2	38.1	-17.4
Number of staff <sup>2</sup> in thousands	399.5	419.1	4.9
Number of companies in Switzerland with foreign participation <sup>2,3</sup>	8 647	8 655	0.1

<sup>1</sup> In the statistics on direct investment, the Principality of Liechtenstein is included with the domestic data.

<sup>2</sup> Including companies not covered by the survey on direct investments since they are below the reporting limit.

<sup>3</sup> Only majority holdings.

The *Direct Investment 2009* report is available from today on the SNB website, [www.snb.ch](http://www.snb.ch), *Publications*. The printed version may be obtained from the Swiss National Bank as of 29 December 2010. (Subscribers to the SNB's *Monthly Statistical Bulletin* will receive the report automatically.)

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