

## Communications

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# Switzerland's international investment position in 2010

## Foreign assets and liabilities decline due to exchange rate losses, net international investment position increases slightly

The strong appreciation of the Swiss franc in 2010 was the main driver of developments in foreign assets and liabilities in Switzerland. It led to sizeable exchange rate losses on foreign currency holdings, especially euro and US dollar holdings. The euro lost 16% of its value against the Swiss franc, while the US dollar lost 10%. Foreign assets contracted by CHF 52 billion to CHF 3,115 billion and foreign liabilities by CHF 57 billion to CHF 2,357 billion. Since foreign liabilities declined somewhat more than foreign assets overall, the net international investment position increased slightly, by CHF 6 billion to CHF 758 billion. In relation to GDP, the net international investment position amounted to 138%, compared with 143% in 2009.

With regard to foreign assets, the lower valuation of foreign currency holdings resulted in an exchange rate loss of CHF 282 billion. A large portion of these exchange rate losses were offset by capital outflows and valuation gains on foreign shares and derivatives. Activities by the Swiss National Bank (SNB) resulted in a major capital outflow; its foreign exchange purchases led to a marked increase in reserve assets, by CHF 113 billion to CHF 252 billion. Direct investment abroad also rose, due to capital outflows in the form of retained profits and intragroup lending, increasing by CHF 26 billion to CHF 878 billion. Bank claims dropped sharply by CHF 92 billion. This reflected large exchange rate losses and the reduction of cross-border interbank business. The stock of portfolio investment abroad also declined, by CHF 59 billion. The exchange rate losses and the sale of foreign securities (in particular money market instruments) exceeded the price gains on shares

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and derivatives by a substantial degree. SNB claims in connection with swap and repo transactions were also lower than in the previous year.

In the case of foreign liabilities, exchange rate losses amounted to CHF 107 billion. This was smaller than that for the foreign assets, because foreign currency holdings are substantially lower on the liabilities side than on the assets side. Capital inflows and valuation gains partially offset the exchange rate losses. The stock of portfolio investment in Switzerland climbed by CHF 15 billion to CHF 720 billion. This rise was mainly due to purchases of Swiss money market instruments, in particular SNB Bills. By contrast, investors sold shares. The stock of foreign direct investment in Switzerland rose by CHF 18 billion to CHF 526 billion, largely as a result of increased intragroup lending. Bank liabilities registered a sharp decline of CHF 95 billion. This was mainly attributable to large exchange rate losses, but also to reduced cross-border interbank business.

This year's report on Switzerland's international investment position includes a special topic on Switzerland's external debt. In particular, it examines why external debt in Switzerland has fallen in the wake of the financial crisis, while rising in many other countries.

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## International investment position in brief

Total at year-end

In CHF billions

	2009	2010	Year-on-year change in CHF billions
<b>Foreign assets</b>			
Direct investment	852.0	877.7	25.7
Portfolio investment	1 108.7	1 050.3	-58.5
Derivatives and structured products	171.3	175.8	4.6
Other assets	894.9	758.7	-136.2
of which, loans by			
Banks	555.0	463.1	-91.9
Swiss National Bank	33.0	1.4	-31.7
Reserve assets	139.7	252.4	112.8
<b>Total</b>	<b>3 166.6</b>	<b>3 114.9</b>	<b>-51.6</b>
<b>Foreign liabilities</b>			
Direct investment	507.4	525.5	18.2
Portfolio investment	705.8	720.3	14.5
Derivatives and structured products	135.8	142.5	6.7
Other liabilities	1 065.3	968.5	-96.8
of which, loans to			
Banks	705.6	611.1	-94.5
Swiss National Bank	4.5	3.8	-0.7
<b>Total</b>	<b>2 414.2</b>	<b>2 356.9</b>	<b>-57.3</b>
<b>Net international investment position</b>			
Direct investment	344.6	352.2	7.5
Portfolio investment	402.9	329.9	-73.0
Derivatives and structured products	35.5	33.3	-2.2
Other positions	-170.4	-209.8	-39.4
of which, loans			
Banks	-150.6	-148.0	2.6
Swiss National Bank	28.5	-2.4	-30.9
Reserve assets	139.7	252.4	112.8
<b>Total</b>	<b>752.3</b>	<b>758.0</b>	<b>5.7</b>

Press release

As of today, *Switzerland's International Investment Position in 2010* is available on the SNB website, [www.snb.ch](http://www.snb.ch), *Publications*. The printed version may be obtained from the SNB from 29 December 2011. (Subscribers to the SNB's *Monthly Statistical Bulletin* will receive the report automatically.)

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