



Communications

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Balance of payments and international investment position in Q1 2014

Change to new IMF standard for the balance of payments and the international investment position

For the first quarter of 2014, Switzerland's balance of payments and international investment position are being published under the new BPM6¹ standard for the first time. The new figures also include, for the first time, the results of the expanded surveys for the current account. The presentation of the statistics and a number of the terms have changed in this connection, and there are significant revisions in the current account data as a result of the new current account surveys. The most important changes are presented in the next section, and are followed by details on the results for the first quarter. Further information on the changeover can be found in the annex to this press release.

Important changes in the balance of payments

A number of new **terms** have been introduced. Labour and investment income and current transfers have been renamed in line with the terms used in the National Accounts (NA) and are now referred to as primary income and secondary income, respectively. Instead of capital outflows and inflows, the terms net acquisition of financial assets and net incurrence of liabilities are used.

In some cases the negative or positive **signs** have been adjusted. Receipts and expenses in the current account now have a positive sign, as do net acquisition of financial assets and net incurrence of liabilities in the financial account. Previously, expenses and net acquisition of financial assets had a negative sign.

Reclassification has had a substantial impact on the balances of both goods and services. Goods trade now comprises not only foreign trade, but also trade in precious metals,

¹ *Balance of Payments and International Investment Position Manual, Sixth Edition.*



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especially bullion, which is worth billions of Swiss francs (previously recorded in the financial account). In addition, the significant merchanting business is now stated under goods trade (previously under services).

The **expansion in the surveys** for the current account has had two effects. First, data are now available on certain previously unsurveyed services such as research and development, as well as various business and consulting services. Second, more companies are being surveyed about their cross-border purchases and sales of services. Both of these factors have a significant impact on the data. The historical data have been recalculated so that users have access to time series without structural breaks. For this reason, comparisons between the now available historical data and data published previously are only possible to a limited extent.

Summary of balance of payments and international investment position

In the current account, the balance from trade in goods and services increased by CHF 4 billion in the first quarter of 2014. The surplus in investment income was down by CHF 4 billion. At CHF 18 billion, the current account surplus was slightly higher than in the year-back quarter. In the financial account, the net acquisition of financial assets (CHF 11 billion) was considerably lower than in the first quarter of the previous year (CHF 44 billion). The liabilities side registered a net reduction due to repayments of deposits by banks to other countries. In Switzerland's international investment position, foreign assets increased by CHF 23 billion to CHF 3,966 billion, and foreign liabilities by CHF 18 billion to CHF 3,183 billion.

For comprehensive tables on the balance of payments and the international investment position cf. [Monthly Statistical Bulletin](#).

Current account

Net

In the first quarter of 2014, the current account surplus increased against the year-back level by CHF 1 billion to CHF 18 billion. While the surplus in the goods trade rose by CHF 4 billion to CHF 10 billion, primary income recorded a lower surplus (CHF 4 billion). The surplus in the trade in services item remained unchanged at CHF 7 billion. In the case of secondary income, expenses exceeded receipts by CHF 4 billion (first quarter 2013: CHF 5 billion).

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Receipts from goods trade (including merchanting, gold) decreased by CHF 3 billion to CHF 76 billion. Receipts from non-monetary gold trading declined by CHF 6 billion to CHF 20 billion, while net receipts from merchanting grew by CHF 1 billion to CHF 5 billion. According to the foreign trade statistics of the Federal Customs Administration (FCA), exports also posted an increase (special trade total 1), by CHF 2 billion to CHF 51 billion. Exports by the chemicals/pharmaceuticals industry and the machinery and electronics industry both rose significantly, by 7% and 6% respectively. As regards trade in services with foreign countries, receipts fell by CHF 1 billion to CHF 23 billion compared to the year-back quarter. The key components of trade in services, i.e. tourism; financial services; licence fees; telecommunications, computer and information services; as well as business services, all registered a slight increase, with the exception of business services. Receipts from Swiss investments abroad declined by CHF 1 billion to CHF 31 billion, largely attributable to lower net income from direct investment.

Expenses

Expenses for goods imports dropped by CHF 8 billion to CHF 66 billion. Expenses for non-monetary gold trading receded by CHF 8 billion to CHF 21 billion. By contrast, according to the foreign trade statistics (special trade total 1), imports increased by CHF 1 billion to CHF 44 billion. Expenses for services imports were down by 4% against the year-back quarter, due in particular to the decline in business services. However, income (expenses) on foreign investment in Switzerland recorded a slight increase by CHF 2 billion to CHF 20 billion.

Financial account**Net acquisition of financial assets**

The net acquisition of financial assets amounted to CHF 11 billion compared with CHF 44 billion in the year-back quarter. Swiss companies invested CHF 8 billion in foreign countries in the form of direct investment (first quarter 2013: CHF 7 billion.). In addition, Swiss investors purchased foreign-issued securities totalling CHF 8 billion, especially in the form of equity securities. The 'other investment' item, by contrast, recorded a net reduction of financial assets by CHF 9 billion (first quarter 2013: net acquisition of financial assets of CHF 30 billion). This was primarily attributable to commercial banks reducing their loans against banks abroad. In reserve assets, net acquisition of financial assets amounted to CHF 4 billion (first quarter 2013: 2 billion).

Net incurrence of liabilities

On the liabilities side, repayments to foreign countries predominated. Overall, there was a net reduction of liabilities by CHF 18 billion (first quarter 2013: net incurrence of liabilities of CHF 24 billion). This was primarily due to commercial bank lending. Domestic banks repaid CHF 26 billion to banks and customers abroad. This resulted in a net reduction in the 'other

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investment' item on the liabilities side of CHF 23 billion (first quarter 2013: net incurrence of liabilities of CHF 31 billion). As a result of foreign investors selling debt instruments issued in Switzerland, portfolio investment also saw a decrease in liabilities (CHF –2 billion). In the year-back quarter, incurrence and reduction on the liabilities side was balanced. In the case of direct investment, however, foreign investment amounting to CHF 6 billion was registered, as against disinvestment totalling CHF 7 billion in the first quarter of 2013.

Financial account, net

The net acquisition of financial assets (CHF +11 billion), net reduction of liabilities (CHF –18 billion) and net derivatives (CHF +1 billion) resulted in a financial account surplus of CHF 30 billion (year-back quarter CHF 20 billion). This is the scope by which the financial asset surplus vis à vis foreign countries increased as a result of cross-border investment.

Switzerland's international investment position**Foreign assets**

Stocks of foreign assets climbed by CHF 23 billion to CHF 3,966 billion in the first quarter of 2014. The net acquisition of financial assets according to the financial account led to a CHF 11 billion rise in foreign assets. The remaining increase is attributable to valuation changes due to stock exchange and exchange rate developments as well as to other changes. The level of portfolio investments increased by CHF 14 billion to CHF 1,170 billion. Moreover, direct investment stocks and reserve assets each advanced by CHF 5 billion to CHF 1,374 billion and CHF 483 billion, respectively. By contrast, stocks in the 'other investment' category decreased by CHF 2 billion to CHF 834 billion, in particular due to the decline in commercial banks' foreign assets.

Foreign liabilities

Foreign liabilities grew by CHF 18 billion to CHF 3,183 billion. Although the financial account registered a net decline in liabilities by CHF 18 billion, price gains and other changes resulted in an increase in liabilities. The strongest advance was recorded by portfolio investment, which rose by CHF 32 billion to CHF 1,027 billion. Direct investment stocks increased by CHF 5 billion to CHF 952 billion. Other investments, by contrast, registered a decline by CHF 22 billion to CHF 1,102 billion, due to a decrease in bank liabilities.

Net investment position

Switzerland's net international investment position increased by CHF 5 billion to CHF 784 billion, as foreign assets rose by more than foreign liabilities.

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New statistical standards for balance of payments and international investment position

Notes for readers

For the first quarter of 2014, Switzerland's balance of payments and international investment position are being published under the new BPM6² standard for the first time. The new standard brings the statistics in line with economic changes that have occurred since the last revision of the standards in 1993. It is currently being introduced throughout the world and will be adopted by nearly all European countries in the course of 2014. This will ensure that Switzerland's balance of payments and international investment position will remain comparable at international level.

Particularly important with regard to the data published here is the fact that the adjustment of the balance of payments goes hand in hand with an expansion of the surveys on the current account. For the first time, data on certain types of services – for example research and development, as well as various business and advisory services – are now being surveyed. In addition, more companies are being interviewed about their cross-border purchases and sales of services. In the case of components already reported in the past, the larger number of surveyed companies has led to a considerable increase in the level of receipts and expenses. The newly included components have also contributed to this increase. In order to avoid a structural break in the time series, new data are calculated backwards (backcast) wherever possible.

Important changes in terminology, sign convention and the classification of components are listed below.

² *Balance of Payments and International Investment Position Manual, Sixth Edition.*

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CHANGES IN TERMINOLOGY

| Old terms | New terms |
|---|--|
| Labour income and investment income | Primary income |
| Current transfers | Secondary income |
| Processing of goods for foreign account | Manufacturing services on physical inputs |
| Capital outflows | Net acquisition of financial assets |
| Capital inflows | Net incurrence of liabilities |
| Direct investment abroad | Direct investment, net acquisition of financial assets |
| Direct investment in Switzerland | Direct investment, net incurrence of liabilities |
| Bonds and notes | Long-term debt securities |
| Money market instruments | Short-term debt securities |
| Financial account, net | Net lending / net borrowing |
| Residual item | Statistical difference |

ADJUSTMENT OF SIGN CONVENTIONS IN BALANCE OF PAYMENT TABLES

| Transactions | Previously | New |
|--|------------|-----|
| Receipts / exports current account | + | + |
| Expenses / imports current account | - | + |
| Current account, net: if receipts > expenses | + | + |
| Current account, net: if expenses > receipts | - | - |
| Net acquisition of financial assets | - | + |
| Net incurrence of liabilities | + | + |
| Financial account, net: if net acquisition of financial assets > net incurrence of liabilities | - | + |
| Financial account, net: if net acquisition of financial assets < net incurrence of liabilities | + | - |

CHANGES IN CLASSIFICATION OF BALANCE OF PAYMENT COMPONENTS

| Components | Previous classification | New classification |
|--|---|-----------------------------------|
| Merchanting | Services | Goods |
| Manufacturing services on physical inputs and repairs | Goods | Services |
| Precious metals as raw materials (bullion, etc.) | Financial account | Goods |
| Postal and courier services | Postal, courier and telecommunications services | Transport |
| Telecommunications services | Postal, courier and telecommunications services | Computer and information services |
| Ownership rights from research and development (R&D), e.g. patents | Capital transfers | Research and development services |
| Changes in claims by households against pension funds | Primary income | Secondary income |
| Stamp duty | Services | Secondary income |

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As a result of the current account survey revision (new components, more companies reporting data), receipts and expenses are higher than before, especially in the goods and services trade. In order to avoid a structural break in the time series, data have been backcast by the SNB.

Changes in financial account and international investment position

In the financial account and the international investment position, the changeover to BPM6 primarily affects the way direct investment is presented. Under BPM6, intragroup loans (direct investment loans) are recorded on a gross basis, with separate items for assets and liabilities, whereas before, assets and liabilities under this item were offset against each other and recorded as net figures. This change does not affect the net investment position or the financial account balance. Structured products are now classified under portfolio investment. Previously, they were reported together with derivatives.

Special drawing rights, which are allocated by the IMF to member countries as part of a quota increase, are now treated as loan commitments from the perspective of Switzerland. This means that transactions are now posted as net incurrence of liabilities by the SNB in the financial account (other investment), and stocks are recorded as liabilities in Switzerland's international investment position.

Revision of stocks of portfolio investment in international investment position

The reporting population for the statistics on holdings of securities in bank custody accounts – statistics that form the most important basis for establishing the stocks of portfolio investment in the international investment position – was expanded at the end of 2013, with retroactive effect to December 2012. This change was made with retroactive effect to December 2012 for the international investment position, too, which has led to a structural break in the time series for both portfolio stocks and the international investment position. As a result of the adjustment, stocks of portfolio investment abroad grew by CHF 5 billion in the fourth quarter of 2012. Stocks of foreign portfolio investment in Switzerland climbed by CHF 97 billion. This led to a CHF 91 billion increase in net assets of portfolio investment and net assets overall.

Impact on National Accounts

With the changeover of the National Accounts (NA) to the new European System of Accounts (ESA 2010), the revised current account data are now also used in the NA. The Swiss Federal Statistical Office will publish the revised NA data at the end of September 2014.

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Additional information

Further information on the changes in the balance of payments and the international investment position are available at www.snb.ch, *Statistics*.

- Information in question & answer form can be found at [Revision of Switzerland's balance of payments and international investment position](#).
- Notes regarding current account backcasting: [Current account changes and backcasting of current account time series](#).
- Detailed comments on the changes are available in the following publications: [Swiss Balance of Payments 2012](#) and [Switzerland's International Investment Position in 2012](#).
- The complete changes are contained in the IMF's *Balance of Payments Manual and International Investment Position*, Sixth Edition [BPM6](#).

Information on the National Accounts revision is available at www.bfs.admin.ch.

- Notes on the most important changes and the impact of the National Accounts revision [VGR-Revision 2014](#)

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SWISS BALANCE OF PAYMENTS – OVERVIEW

In CHF millions

| | 2013 Q1 | 2013 Q2 | 2013 Q3 | 2013 Q4 | 2014 Q1 |
|---|---------------|---------------|---------------|---------------|---------------|
| Current account, net | 17,208 | 30,847 | 26,214 | 22,015 | 17,931 |
| Receipts | 144,762 | 172,134 | 154,733 | 146,032 | 138,751 |
| Expenses | 127,554 | 141,287 | 128,519 | 124,017 | 120,820 |
| Goods and services, net | 12,814 | 26,217 | 18,597 | 18,728 | 16,765 |
| Receipts | 103,974 | 127,191 | 111,349 | 106,905 | 99,702 |
| Expenses | 91,160 | 100,974 | 92,752 | 88,177 | 82,937 |
| Goods, net | 6,013 | 20,085 | 12,970 | 12,708 | 10,211 |
| Receipts | 79,714 | 101,335 | 84,641 | 79,989 | 76,407 |
| Foreign trade of which | | | | | |
| foreign trade total ¹ | 78,016 | 97,938 | 79,798 | 76,410 | 74,360 |
| non-monetary gold | 49,146 | 51,098 | 49,953 | 51,029 | 51,293 |
| Supplements to foreign trade ² | 25,569 | 42,415 | 27,287 | 22,408 | 19,993 |
| Merchanting | -2,426 | -2,154 | -1,806 | -2,294 | -2,610 |
| Expenses | 4,124 | 5,551 | 6,650 | 5,873 | 4,656 |
| Foreign trade of which | | | | | |
| foreign trade total ¹ | 74,868 | 82,234 | 72,228 | 68,487 | 67,316 |
| non-monetary gold | 43,400 | 44,547 | 43,119 | 46,201 | 44,393 |
| Supplements to foreign trade ² | 28,359 | 34,955 | 26,769 | 19,664 | 20,806 |
| | -1,166 | -984 | -557 | -1,206 | -1,121 |
| Services, net | 6,801 | 6,132 | 5,627 | 6,020 | 6,554 |
| Receipts | 24,260 | 25,857 | 26,708 | 26,916 | 23,295 |
| Expenses | 17,459 | 19,724 | 21,081 | 20,896 | 16,741 |
| Primary income, net | 9,298 | 8,305 | 10,739 | 7,576 | 5,369 |
| Receipts | 32,470 | 36,397 | 34,315 | 30,308 | 31,147 |
| Expenses | 23,172 | 28,093 | 23,576 | 22,732 | 25,779 |
| Labour income, net | -4,643 | -4,737 | -4,783 | -4,759 | -4,826 |
| Receipts | 632 | 632 | 632 | 632 | 641 |
| Expenses | 5,274 | 5,369 | 5,414 | 5,390 | 5,467 |
| Investment income, net | 13,940 | 13,042 | 15,522 | 12,334 | 10,195 |
| Receipts | 31,838 | 35,766 | 33,683 | 29,676 | 30,506 |
| Expenses | 17,898 | 22,724 | 18,162 | 17,342 | 20,311 |
| Secondary income, net | -4,904 | -3,675 | -3,122 | -4,288 | -4,202 |
| Receipts | 8,318 | 8,546 | 9,070 | 8,819 | 7,902 |
| Expenses | 13,222 | 12,221 | 12,192 | 13,108 | 12,105 |
| Capital transfers, net | -167 | 65 | -340 | 1,204 | -189 |
| Receipts | 42 | 173 | 129 | 1,350 | 61 |
| Expenses | 210 | 108 | 469 | 146 | 250 |

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|--|---------------|---------------|---------------|----------------|---------------|
| Financial account, net ³ | 19,480 | 37,949 | 42,634 | 21,210 | 29,140 |
| Net acquisition of financial assets | 43,682 | 19,654 | 63,699 | 29,115 | 10,982 |
| Net incurrence of liabilities | 24,202 | -18,295 | 21,064 | 7,905 | -18,157 |
| Direct investment, net | 13,495 | 11,685 | 14,001 | 20,763 | 1,497 |
| Net acquisition of financial assets | 6,505 | 11,555 | 18,750 | 15,682 | 7,749 |
| Net incurrence of liabilities | -6,990 | -130 | 4,749 | -5,082 | 6,253 |
| Portfolio investment, net | 4,901 | -7,022 | 3,108 | 14,430 | 9,989 |
| Net acquisition of financial assets | 5,226 | -159 | 3,646 | 9,078 | 8,278 |
| Net incurrence of liabilities | 326 | 6,863 | 538 | -5,352 | -1,710 |
| Other investment, net | -1,070 | 29,623 | 23,177 | -18,757 | 14,239 |
| Net acquisition of financial assets | 29,797 | 4,595 | 38,955 | -418 | -8,461 |
| Net incurrence of liabilities | 30,866 | -25,029 | 15,778 | 18,339 | -22,699 |
| Reserve assets, net | 2,154 | 3,663 | 2,349 | 4,774 | 3,416 |
| Derivatives, net | 120 | 386 | -232 | -1,103 | 451 |
| Statistical difference | 2,559 | 7,422 | 16,527 | -3,112 | 11,848 |

¹ Foreign trade according to Federal Customs Administration (FCA).

² Additions: Unchecked goods trade, small consignments, goods procured in ports. Subtractions: Manufacturing services on physical inputs, returned goods, CIF/FOB adjustment on imports.

³ Financial account, net excluding derivatives.

SWITZERLAND'S INTERNATIONAL INVESTMENT POSITION – OVERVIEW

In CHF millions

| | 2013 Q1 | 2013 Q2 | 2013 Q3 | 2013 Q4 | 2014 Q1 |
|--|------------------|------------------|------------------|------------------|------------------|
| Assets | 3,942,853 | 3,910,569 | 3,928,855 | 3,943,161 | 3,966,432 |
| Direct investment | 1,342,115 | 1,357,909 | 1,359,157 | 1,369,078 | 1,373,570 |
| Portfolio investment | 1,165,829 | 1,132,061 | 1,139,541 | 1,156,554 | 1,170,209 |
| Derivatives | 117,905 | 119,044 | 106,394 | 104,413 | 106,286 |
| Other investment | 820,862 | 822,209 | 843,969 | 835,752 | 833,788 |
| Reserve assets | 496,142 | 479,347 | 479,794 | 477,364 | 482,577 |
| Liabilities | 3,157,755 | 3,120,852 | 3,150,544 | 3,164,385 | 3,182,716 |
| Direct investment | 957,203 | 957,837 | 956,458 | 946,557 | 951,857 |
| Portfolio investment | 932,662 | 935,133 | 975,003 | 994,541 | 1,026,885 |
| Derivatives | 115,136 | 115,257 | 102,668 | 99,779 | 102,458 |
| Other investment | 1,152,755 | 1,112,625 | 1,116,416 | 1,123,507 | 1,101,516 |
| Net international investment position | 785,098 | 789,717 | 778,311 | 778,776 | 783,716 |
| Direct investment | 384,913 | 400,072 | 402,699 | 422,521 | 421,714 |
| Portfolio investment | 233,166 | 196,927 | 164,538 | 162,013 | 143,324 |
| Derivatives | 2,770 | 3,787 | 3,727 | 4,634 | 3,829 |
| Other investment | -331,893 | -290,416 | -272,447 | -287,755 | -267,728 |
| Reserve assets | 496,142 | 479,347 | 479,794 | 477,364 | 482,577 |