



**Communications**

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## **Balance of payments and international investment position in Q2 2014**

### **Summary of balance of payments and international investment position**

In the current account, the balance from trade in goods and services amounted to CHF 17 billion in the second quarter of 2014. This corresponds to a decline of CHF 8 billion year-on-year, which was largely due to trade in non-monetary gold. In the case of secondary income (current transfers), expenses exceeded receipts by CHF 9 billion (Q2 2013: CHF 4 billion). Overall, at CHF 15 billion, the current account surplus was CHF 13 billion lower than a year previously.

In the financial account, the net acquisition of financial assets amounted to CHF 23 billion, as against CHF 20 billion in the year-earlier quarter. The liabilities side showed a net incurrence of CHF 2 billion, following a net reduction of CHF 18 billion in the year-back quarter.

In Switzerland's international investment position, stocks of foreign assets expanded by CHF 64 billion to CHF 4,029 billion from the first quarter of 2014. The level of foreign liabilities climbed by CHF 17 billion to CHF 3,194 billion. As a result, the net international investment position grew by CHF 47 billion to CHF 835 billion.

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### **WHAT THE BALANCE OF PAYMENTS AND INTERNATIONAL INVESTMENT POSITION SHOW**

The balance of payments (current account and financial account) covers Switzerland's cross-border transactions with other countries over a certain period (one quarter or one year). The international investment position indicates the end-of-period stocks of Switzerland's financial assets (claims) and liabilities abroad. The assets and liabilities in the international investment position change in line with the transactions in the financial account. In addition, share price and exchange rate movements also influence the stocks of financial assets and liabilities.

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



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## Current account

### Net

In the second quarter of 2014, the current account surplus fell against the year-back level by CHF 13 billion to CHF 15 billion. This decline was primarily due to the goods trade, which recorded a CHF 9 billion drop in its surplus, bringing it down to CHF 11 billion. Yet primary income (labour and investment income), too, registered a lower surplus; narrowing by CHF 1 billion to CHF 7 billion. By contrast, the receipts surplus in the trade in services widened by CHF 1 billion to CHF 6 billion. As to secondary income (current transfers), the surplus of expenses rose by CHF 5 billion to CHF 9 billion.

### Receipts

According to the foreign trade statistics of the Federal Customs Administration, exports (special trade total 1) expanded by CHF 1 billion to CHF 52 billion. The main reason for this development was the exports of the chemicals/pharmaceuticals industry, which were up by 2%. Net receipts from merchanting remained unchanged at CHF 6 billion. By contrast, receipts from the trade in non-monetary gold, which tend to be highly volatile, were substantially lower; they amounted to CHF 11 billion compared to CHF 42 billion a year earlier. As a result, receipts from goods trade (including merchanting and gold) dropped by CHF 32 billion to CHF 70 billion from their year-back level. In foreign trade in services, receipts rose by CHF 1 billion to CHF 27 billion year-on-year. The increases recorded for tourism, licence fees and telecommunications, computer and information services as well as business services exceeded the decline registered for financial services. Primary income (labour and investment income) remained unchanged year-on-year at CHF 36 billion, as did secondary income (current transfers) at CHF 8 billion.

### Expenses

Imports according to the foreign trade statistics (special trade total 1) totalled CHF 45 billion, the same figure as a year previously. In this connection, the increase in consumer goods offset the declines recorded for raw materials and semi-manufactures, capital goods, and energy sources. Expenses for non-monetary gold trading reached CHF 12 billion, compared to CHF 35 billion in the year-earlier quarter. Overall, expenses for goods imports thus receded by CHF 24 billion to CHF 58 billion. At CHF 21 billion, expenses for services imports equalled the year-back figure. Expenses for primary income grew by CHF 1 billion to CHF 29 billion, while expenses for secondary income increased by CHF 5 billion to CHF 17 billion.

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## Financial account

### Net acquisition of financial assets

In the financial account, the net acquisition of financial assets totalled CHF 23 billion, compared with CHF 20 billion in the year-back quarter. At CHF 25 billion, direct investment recorded the largest net acquisition of financial assets (Q2 2013: CHF 12 billion). This was largely attributable to intragroup lending and reinvested earnings. Moreover, Swiss investors purchased foreign-issued securities in the amount of CHF 7 billion (portfolio investment); in the year-earlier quarter, purchases and sales had been on a par. Reserve assets posted a net acquisition of financial assets amounting to CHF 5 billion (Q2 2013: CHF 4 billion). Other investment, by contrast, registered a net reduction of financial assets in the amount of CHF 14 billion, as against a net acquisition of CHF 5 billion in the same quarter of the previous year. This development reflects the fact that commercial banks reduced their deposits with banks abroad.

### Net incurrence of liabilities

The net incurrence of liabilities was CHF 2 billion (Q2 2013: net reduction of CHF 18 billion). Direct investment recorded a net incurrence of liabilities in the amount of CHF 10 billion, largely on the back of an increase in lending by subsidiaries abroad. Portfolio investment also showed a net incurrence of liabilities, with investors abroad purchasing CHF 4 billion in securities issued in Switzerland, mainly in the form of bonds. Other investment, by contrast, recorded a net reduction of CHF 13 billion, which was primarily due to banks abroad reducing their deposits with banks in Switzerland.

### Financial account, net

The net acquisition of financial assets (CHF +23 billion) and the net incurrence of liabilities (CHF +2 billion) resulted in a financial account surplus of CHF 21 billion, compared to CHF 38 billion a year earlier. This balance corresponds to the increase in the net international investment position resulting from cross-border investment.

## Switzerland's international investment position

### Foreign assets

Stocks of foreign assets rose by CHF 64 billion to CHF 4,029 billion compared to the first quarter of 2014. The net acquisition of financial assets according to the financial account led to a CHF 23 billion rise in foreign assets. The remaining increase was attributable to higher share prices and to other changes. The level of portfolio investment grew by CHF 37 billion to CHF 1,207 billion, mainly as a result of share price gains due to stock market developments. Direct investment stocks advanced by CHF 29 billion to CHF 1,404 billion, owing largely to investments. The reserve assets climbed by CHF 12 billion to reach CHF 495 billion, with the increase being mostly due to valuation gains. The level of other

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investment, by contrast, declined by CHF 15 billion to CHF 812 billion. This reflects the fact that commercial banks reduced their deposits with banks abroad.

**Foreign liabilities**

Foreign liabilities grew by CHF 17 billion to CHF 3,194 billion. This development was largely attributable to higher share prices; investment, meanwhile, contributed only CHF 2 billion. The sharpest increase was recorded by portfolio investment, which rose by CHF 20 billion to CHF 1,047 billion, owing mainly to higher share prices. Other investment, by contrast, fell by CHF 17 billion to CHF 1,074 billion, which was primarily due to banks abroad reducing their deposits with commercial banks in Switzerland.

**Net investment position**

Foreign assets grew by CHF 64 billion, and foreign liabilities by CHF 17 billion. As a result, Switzerland's net international investment position increased by CHF 47 billion to CHF 835 billion.

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## SWISS BALANCE OF PAYMENTS – OVERVIEW

In CHF millions

	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2
<b>Current account, net</b>	<b>28,385</b>	<b>23,246</b>	<b>18,642</b>	<b>14,335</b>	<b>14,872</b>
Receipts	172,302	154,145	145,467	143,087	141,019
Expenses	143,917	130,898	126,826	128,753	126,146
<b>Goods and services, net</b>	<b>24,652</b>	<b>16,513</b>	<b>16,849</b>	<b>16,654</b>	<b>17,032</b>
Receipts	127,930	111,326	107,215	103,514	96,298
Expenses	103,277	94,813	90,366	86,859	79,266
<b>Goods, net</b>	<b>19,518</b>	<b>12,343</b>	<b>12,167</b>	<b>10,017</b>	<b>11,334</b>
Receipts	101,536	84,544	80,245	77,055	69,579
Foreign trade of which					
foreign trade total <sup>1</sup>	97,902	79,767	76,479	74,359	65,932
non-monetary gold	51,067	49,925	51,100	51,293	51,561
Supplements to foreign trade <sup>2</sup>	42,415	27,287	22,408	19,993	11,391
Merchanting	-2,192	-2,071	-2,324	-2,620	-2,332
Expenses	5,825	6,847	6,090	5,315	5,979
Foreign trade of which					
foreign trade total <sup>1</sup>	82,018	72,201	68,078	67,038	58,244
non-monetary gold	82,417	72,382	68,692	67,478	58,560
Supplements to foreign trade <sup>2</sup>	44,671	43,234	46,303	44,393	44,616
	34,955	26,769	19,705	20,806	11,774
	-399	-181	-614	-440	-316
<b>Services, net</b>	<b>5,135</b>	<b>4,170</b>	<b>4,682</b>	<b>6,638</b>	<b>5,698</b>
Receipts	26,393	26,782	26,970	26,459	26,719
Expenses	21,259	22,612	22,288	19,821	21,021
<b>Primary income, net</b>	<b>7,707</b>	<b>10,145</b>	<b>6,913</b>	<b>2,403</b>	<b>6,891</b>
Receipts	35,872	33,795	29,757	30,941	36,330
Expenses	28,165	23,650	22,844	28,538	29,439
<b>Labour income, net</b>	<b>-4,768</b>	<b>-4,813</b>	<b>-4,811</b>	<b>-4,930</b>	<b>-4,916</b>
Receipts	601	601	601	611	611
Expenses	5,369	5,414	5,412	5,540	5,526
<b>Investment income, net</b>	<b>12,475</b>	<b>14,957</b>	<b>11,724</b>	<b>7,333</b>	<b>11,807</b>
Receipts	35,270	33,193	29,156	30,331	35,720
Expenses	22,795	18,236	17,432	22,998	23,913
<b>Secondary income, net</b>	<b>-3,975</b>	<b>-3,411</b>	<b>-5,120</b>	<b>-4,723</b>	<b>-9,051</b>
Receipts	8,500	9,024	8,495	8,633	8,391
Expenses	12,475	12,435	13,615	13,356	17,442
<b>Capital transfers, net</b>	<b>44</b>	<b>-360</b>	<b>1,185</b>	<b>-9,598</b>	<b>37</b>
Receipts	173	129	1,350	40	128
Expenses	129	490	165	9,638	91

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<b>Financial account (excluding derivatives), net</b>	<b>38,047</b>	<b>42,977</b>	<b>21,466</b>	<b>33,113</b>	<b>21,145</b>
Net acquisition of financial assets	19,654	63,977	29,293	12,249	23,143
Net incurrence of liabilities	-18,393	21,000	7,827	-20,864	1,998
<b>Direct investment, net</b>	<b>11,685</b>	<b>14,001</b>	<b>20,763</b>	<b>1,588</b>	<b>14,645</b>
Net acquisition of financial assets	11,555	18,750	15,682	9,519	24,917
Net incurrence of liabilities	-130	4,749	-5,082	7,932	10,271
<b>Portfolio investment, net</b>	<b>-7,022</b>	<b>3,108</b>	<b>14,430</b>	<b>9,476</b>	<b>3,140</b>
Net acquisition of financial assets	-159	3,646	9,078	7,766	7,379
Net incurrence of liabilities	6,863	538	-5,352	-1,710	4,239
<b>Other investment, net</b>	<b>29,721</b>	<b>23,520</b>	<b>-18,501</b>	<b>18,634</b>	<b>-1,333</b>
Net acquisition of financial assets	4,595	39,233	-240	-8,452	-13,846
Net incurrence of liabilities	-25,126	15,713	18,261	-27,086	-12,513
<b>Reserve assets, net</b>	<b>3,663</b>	<b>2,349</b>	<b>4,774</b>	<b>3,416</b>	<b>4,693</b>
<b>Derivatives, net</b>	<b>386</b>	<b>-232</b>	<b>-1,103</b>	<b>371</b>	<b>-79</b>
<b>Statistical difference</b>	<b>10,003</b>	<b>19,859</b>	<b>536</b>	<b>28,747</b>	<b>6,157</b>

<sup>1</sup> Foreign trade according to Federal Customs Administration (FCA).

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

## SWITZERLAND'S INTERNATIONAL INVESTMENT POSITION – OVERVIEW

In CHF millions

	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2
<b>Assets</b>	<b>3,910,569</b>	<b>3,929,128</b>	<b>3,943,607</b>	<b>3,964,996</b>	<b>4,028,804</b>
Direct investment	1,357,909	1,359,157	1,369,078	1,375,343	1,403,763
Portfolio investment	1,132,061	1,139,541	1,156,554	1,169,700	1,206,767
Derivatives	119,044	106,394	104,413	110,112	110,749
Other investment	822,209	844,242	836,198	827,263	812,258
Reserve assets	479,347	479,794	477,364	482,577	495,267
<b>Liabilities</b>	<b>3,120,852</b>	<b>3,150,544</b>	<b>3,164,385</b>	<b>3,176,837</b>	<b>3,193,982</b>
Direct investment	957,837	956,458	946,557	953,536	964,199
Portfolio investment	935,133	975,003	994,541	1,026,885	1,046,899
Derivatives	115,257	102,668	99,779	105,875	108,905
Other investment	1,112,625	1,116,416	1,123,507	1,090,541	1,073,980
<b>Net international investment position</b>	<b>789,717</b>	<b>778,584</b>	<b>779,223</b>	<b>788,160</b>	<b>834,821</b>
Direct investment	400,072	402,699	422,521	421,808	439,564
Portfolio investment	196,927	164,538	162,013	142,815	159,869
Derivatives	3,787	3,727	4,634	4,237	1,844
Other investment	-290,416	-272,174	-287,308	-263,278	-261,722
Reserve assets	479,347	479,794	477,364	482,577	495,267