

Communications

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Balance of payments and international investment position in Q1 2015

Summary of balance of payments and international investment position

In the first quarter of 2015, the current account surplus amounted to CHF 14 billion, CHF 5 billion higher than the year-back quarter. This was principally attributable to changes in primary income (labour and investment income), which recorded a receipts surplus of CHF 1 billion compared with an expenses surplus of CHF 3 billion for the same period one year earlier. The receipts surplus from trade in goods increased by CHF 2 billion to CHF 12 billion, while for trade in services, it declined by CHF 1 billion to CHF 5 billion. The expenses surplus on secondary income (current transfers) remained on a par with the year-back figure of CHF 5 billion.

In the financial account, high values were recorded in both net acquisition of financial assets, at CHF 87 billion (Q1 2014: CHF 7 billion), and net incurrence of liabilities, at CHF 81 billion (Q1 2014: net reduction of CHF 15 billion). The net acquisition of financial assets was mainly due to reserve assets and portfolio investment. The majority of the flows under the net incurrence of liabilities item were associated with banks' lending and deposit business. The net figure for the financial account was CHF 5 billion.

In the international investment position, stocks of assets declined by CHF 63 billion to CHF 4,180 billion compared to the previous quarter, as a result of exchange rate losses. Overall, the impact of these losses outweighed the increase in foreign assets generated by investments and share price gains. Stocks of liabilities were up CHF 57 billion to CHF 3,484 billion. At CHF 696 billion, the net international investment position was CHF 120 billion lower than one quarter earlier.

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Current account

Net

At CHF 14 billion, the current account surplus in the first quarter of 2015 was up CHF 5 billion compared to the year-back quarter. While the receipts surplus from trade in goods rose by CHF 2 billion to CHF 12 billion, that for trade in services declined by CHF 1 billion to CHF 5 billion. Primary income (labour and investment income) recorded a receipts surplus of CHF 1 billion, having reported an expenses surplus of CHF 3 billion for the first quarter of 2014. The expenses surplus on secondary income (current transfers) remained on a par with the year-back figure of CHF 5 billion.

Receipts

According to the foreign trade statistics (total 1), goods exports in the first quarter of 2015 remained unchanged year-on-year, at CHF 51 billion. Exports of chemical and pharmaceutical products as well as machinery and electronics declined, while exports of jewellery, watches and motor vehicles increased. Net merchanting receipts rose by CHF 1 billion to CHF 7 billion. Receipts from non-monetary gold trading amounted to CHF 18 billion, compared to CHF 20 billion in the year-back quarter. Overall (i.e. including merchanting and gold trading), receipts from goods trade amounted to CHF 75 billion, CHF 3 billion less than in the same period a year earlier.

As regards foreign trade in services, receipts were, at CHF 27 billion, equivalent to those of the year-back quarter. An increase was registered in telecommunications, computer, information and business services, whereas receipts from tourism, transport services and licence fees declined.

As a result of lower income from investment (particularly direct investment) abroad, primary income (labour and investment income) declined by CHF 1 billion to CHF 25 billion. Secondary income (current transfers) remained largely unchanged compared to the same quarter in the previous year, at CHF 9 billion.

Expenses

According to the foreign trade statistics (total 1), goods imports in the first quarter of 2015 decreased from CHF 44 billion to CHF 42 billion. This was due in large measure to lower imports of raw materials, semi-manufactured goods and energy sources. In the case of energy sources, the decrease was entirely attributable to higher prices. Expenses for non-monetary gold trading amounted to CHF 19 billion, as against CHF 21 billion a year earlier. Overall, expenses for goods imports dropped by CHF 4 billion to CHF 63 billion.

At CHF 22 billion, expenses for services imports exceeded the figure for the same quarter one year earlier by CHF 2 billion. This development can be ascribed principally to higher

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expenses for business services and licence fees. The figures for the other items did not differ substantially from last year's.

Expenses for primary income (labour and investment income) declined by CHF 6 billion to CHF 23 billion, primarily due to lower direct investment income. Expenses on secondary income (current transfers) were comparable to the year-back figure, at CHF 14 billion.

Financial account

Net acquisition of financial assets

The net acquisition of financial assets amounted to CHF 87 billion (Q1 2014: CHF 7 billion). Reserve assets accounted for the largest share of these net acquisitions (CHF 59 billion). At CHF 32 billion, portfolio investment also recorded a significant net acquisition (Q1 2014: CHF 8 billion): Swiss investors purchased debt and equity securities totalling CHF 19 billion and CHF 12 billion respectively. Direct investment posted a net acquisition of financial assets amounting to CHF 6 billion (Q1 2014: CHF 4 billion). Swiss companies increased their equity capital abroad by CHF 10 billion. However, they reduced intragroup lending abroad by CHF 11 billion and reinvested CHF 6 billion in retained earnings in foreign subsidiaries. The 'other investment' item registered a net reduction of assets of CHF 9 billion (Q1 2014: CHF 9 billion).

Net incurrence of liabilities

The net incurrence of liabilities amounted to CHF 81 billion (Q1 2014: net reduction CHF 15 billion). Of this, CHF 72 billion was accounted for by the 'other investment' item (Q1 2014: net reduction CHF 26 billion). The commercial banks' lending and deposit business was decisive here, posting a net incurrence of liabilities of CHF 62 billion, of which CHF 57 billion stemmed from interbank and CHF 5 billion from customer business. Direct investment recorded a net incurrence of liabilities of CHF 16 billion (Q1 2014: CHF 13 billion). The largest direct investment transactions related to intragroup lending: domestic companies increased their liabilities towards foreign subsidiaries by CHF 13 billion. By contrast, portfolio investment posted a net reduction of liabilities of CHF 7 billion (Q1 2014: CHF 2 billion). Foreign investors sold Swiss-issued securities (mainly equity securities) totalling CHF 6 billion.

Financial account, net

The net figure for the financial account amounted to approximately CHF 5 billion, compared with CHF 22 billion a year earlier. This result comprises net acquisition of financial assets (CHF 87 billion) minus net incurrence of liabilities (CHF 81 billion) plus net derivatives transactions (CHF -2 billion). The positive financial account balance corresponds to the increase in the net international investment position resulting from cross-border investment.

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Switzerland's international investment position

Foreign assets

Due to exchange rate losses, stocks of foreign assets declined by CHF 63 billion to CHF 4,180 billion compared to the fourth quarter of 2014. Overall, the impact of these losses outweighed the increase in foreign assets generated by investments and share price gains. The largest drop occurred in the 'other investment' item, which decreased by CHF 49 billion to CHF 816 billion. A marked fall was also recorded in direct investment, where stocks decreased by CHF 48 billion to CHF 1,400 billion. Overall, in the stocks of reserve assets and portfolio investment, increases due to investments and valuation gains exceeded exchange rate losses. Reserve assets went up CHF 26 billion to CHF 567 billion and portfolio investment rose by CHF 8 billion to CHF 1,248 billion.

Foreign liabilities

Foreign liabilities grew by CHF 57 billion to CHF 3,484 billion. The largest increase was registered in the stocks of 'other investment', which were up by CHF 35 billion to CHF 1,115 billion; liabilities in cross-border interbank business, in particular, increased. While exchange rate losses depressed capital stocks in this item significantly, this decline was more than offset by an increase of capital stocks as a result of a net incurrence of liabilities (transactions). The increase recorded in portfolio investment, by contrast, was attributable to share price rises. Despite net sales, stocks in the portfolio investment item increased by approximately CHF 22 billion to CHF 1,127 billion. Direct investment stocks changed relatively little, falling by approximately CHF 1 billion to CHF 1,093 billion, while those of derivatives increased by approximately 2 billion to CHF 149 billion.

Net investment position

Foreign assets decreased by CHF 63 billion and foreign liabilities increased by CHF 57 billion. The net international investment position contracted by CHF 120 billion to CHF 696 billion.

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SWISS BALANCE OF PAYMENTS – OVERVIEW

In CHF millions

	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1
Current account, net	8,765	8,139	11,089	17,343	13,742
Receipts	139,011	138,721	137,427	145,149	135,212
Expenses	130,247	130,582	126,338	127,805	121,470
Goods and services, net	16,436	15,893	17,601	21,140	17,127
Receipts	104,076	95,328	98,661	107,555	101,774
Expenses	87,640	79,436	81,059	86,415	84,647
Goods, net	10,083	11,277	12,624	16,674	11,796
Receipts	77,531	69,739	71,975	80,928	74,794
Foreign trade of which					
foreign trade total ¹	74,135	66,092	67,374	77,561	71,150
non-monetary gold	51,330	51,461	51,883	53,611	50,633
Supplements to foreign trade ²	19,728	11,646	12,641	21,016	18,007
Expenses	-2,612	-2,334	-2,301	-2,923	-3,353
Merchanting	6,008	5,981	6,903	6,290	6,997
Expenses	67,447	58,462	59,351	64,254	62,998
Foreign trade of which					
foreign trade total ¹	67,874	58,785	59,720	65,334	64,111
non-monetary gold	44,369	44,650	44,150	45,097	42,454
Supplements to foreign trade ²	21,172	11,869	13,633	18,173	19,075
Expenses	-427	-324	-368	-1,080	-1,114
Services, net	6,353	4,616	4,977	4,466	5,331
Receipts	26,545	25,590	26,685	26,626	26,980
Expenses	20,193	20,974	21,708	22,161	21,649
Primary income, net	-2,866	1,228	-2,006	2,000	1,458
Receipts	26,211	34,959	29,425	28,737	24,560
Expenses	29,077	33,731	31,431	26,736	23,102
Labour income, net	-4,935	-5,034	-5,063	-5,036	-5,098
Receipts	611	611	611	611	620
Expenses	5,546	5,644	5,673	5,646	5,718
Investment income, net	2,070	6,262	3,056	7,036	6,555
Receipts	25,601	34,348	28,814	28,126	23,940
Expenses	23,531	28,087	25,758	21,090	17,384
Secondary income, net	-4,806	-8,982	-4,506	-5,797	-4,843
Receipts	8,724	8,434	9,341	8,857	8,878
Expenses	13,530	17,416	13,847	14,654	13,721
Capital transfers, net	-9,590	-75	-49	-224	-137
Receipts	41	111	151	165	88
Expenses	9,631	186	200	389	225

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Financial account (excluding derivatives), net	21,761	15,706	3,430	6,164	6,457
Net acquisition of financial assets	6,847	15,993	3,410	2,648	87,042
Net incurrence of liabilities	-14,914	286	-19	-3,516	80,584
Direct investment, net	-8,280	7,533	2,612	-6,553	-10,253
Net acquisition of financial assets	4,476	19,839	-1,669	-7,256	5,559
Net incurrence of liabilities	12,756	12,305	-4,282	-703	15,812
Portfolio investment, net	9,442	2,911	3,461	-9,938	38,996
Net acquisition of financial assets	7,766	7,155	5,049	-12,378	31,742
Net incurrence of liabilities	-1,677	4,244	1,588	-2,440	-7,254
Other investment, net	17,183	569	-3,644	-3,005	-80,984
Net acquisition of financial assets	-8,811	-15,694	-970	-3,378	-8,957
Net incurrence of liabilities	-25,994	-16,263	2,674	-373	72,027
Reserve assets, net	3,416	4,693	1,001	25,661	58,698
Derivatives, net	371	-305	627	-835	-1,958
Statistical difference	22,956	7,338	-6,983	-11,790	-9,105

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.

SWITZERLAND'S INTERNATIONAL INVESTMENT POSITION – OVERVIEW

In CHF millions

	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1
Assets	3,899,413	3,960,295	4,072,554	4,243,385	4,180,192
Direct investment	1,307,641	1,330,545	1,350,770	1,447,581	1,399,791
Portfolio investment	1,169,777	1,206,706	1,240,295	1,239,893	1,248,173
Derivatives	110,150	109,423	134,240	149,419	150,056
Other investment	829,268	818,354	839,687	865,292	815,529
Reserve assets	482,577	495,267	507,563	541,201	566,644
Liabilities	3,193,293	3,215,846	3,278,370	3,427,268	3,484,162
Direct investment	967,298	979,955	985,657	1,094,470	1,093,211
Portfolio investment	1,026,908	1,046,921	1,074,764	1,105,225	1,127,228
Derivatives	105,979	108,178	125,894	147,477	149,104
Other investment	1,093,108	1,080,792	1,092,055	1,080,097	1,114,619
Net international investment position	706,120	744,448	794,184	816,117	696,030
Direct investment	340,343	350,590	365,113	353,111	306,580
Portfolio investment	142,870	159,785	165,530	134,668	120,945
Derivatives	4,171	1,245	8,346	1,942	952
Other investment	-263,840	-262,438	-252,368	-214,805	-299,090
Reserve assets	482,577	495,267	507,563	541,201	566,644