



Communications

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Direct Investment 2014

Changes

The 2014 *Direct Investment* report reflects extensive presentational, survey-related and methodological changes to the direct investment statistics.

As in the past, the text will be available both in printed form and on the Swiss National Bank (SNB) website. The detailed tables as well as the notes on the methodological and statistical basis, which were previously presented in the report's appendix, will now be published on the SNB's new data portal <https://data.snb.ch>. The data can be accessed there using interactive web tables. The tables have also been expanded in the context of this changeover. For instance, capital stocks and investment income will now also be broken down by capital type.

For the first time, the 2014 direct investment statistics will contain the results of the revised surveys on cross-border capital linkages.¹ The new surveys included companies that had not previously been covered, resulting in a considerable increase, particularly in domestic capital stocks.² The introduction of the new survey also coincided with the changeover to the OECD's new international standards on direct investment statistics (*Benchmark Definition of Foreign Direct Investment*, 4th Edition) and the IMF's standards on the balance of payments and international investment position (*Balance of Payments and International Investment Position Manual*, 6th Edition).³ These changes significantly affect direct investment data, especially the capital stocks and staff numbers associated with direct investment abroad.

For direct investment abroad, capital stocks will now only be reported in countries where there are subsidiaries that are directly owned by companies in Switzerland. Up to now, in

¹ Further information on the new surveys can be found online at www.snb.ch, *Statistics, Revision of financial account surveys (investmentBOP)*.

² Cf. Special topic in the 2014 *Direct Investment* report.

³ Cf. 'Outlook: Aligning the direct investment statistics with international statistical standards' in the 2013 *Direct Investment* report.



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cases of a chain of participations spread over several countries, capital stocks were shown in each of the countries in which the individual subsidiaries were located. This change makes it easier to compare capital stocks with transactions to which the principle of directly owned subsidiaries already applied. As a result of this change, there are higher capital stocks in countries with numerous intermediate companies, and lower capital stocks in countries with indirectly owned subsidiaries. Equity capital stocks are lower in the total for all countries. This is most likely due to differences in the way directly and indirectly owned subsidiaries are valued on individual groups' balance sheets.

The number of staff employed by Swiss subsidiaries abroad will continue to include both direct and indirect subsidiaries. However, the system for determining these numbers will be aligned with standard international methodology, and the standard table will only include subsidiaries abroad that are owned by Swiss-controlled groups. The data no longer include the staff numbers of subsidiaries abroad that are owned by Swiss-domiciled, but foreign-controlled groups. As the latter account for a significant portion of people employed abroad, this change causes the number of staff abroad to fall considerably.

Capital transactions and investment income have not been significantly affected by the introduction of the new surveys.

As a result of the changeover, the direct investment statistics are temporarily only available for the period 2004 to 2014. In future, however, time series starting from 1985 will once again be available.

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With respect to Swiss direct investment abroad, companies in Switzerland withdrew capital of CHF 3 billion from their subsidiaries abroad in 2014, where they had invested CHF 36 billion the year before. This development was attributable to the services sector: with the exception of insurance companies as well as finance and holding companies, service-sector industries – most notably the trade category – withdrew funds from abroad. Unlike the services sector, manufacturing, first and foremost the chemicals and plastics category, invested more than in 2013. The latter was also the category with the highest direct investment abroad (CHF 15 billion).

In the year under review, Asia was the most important regional destination for Swiss direct investment, accounting for CHF 10 billion. Swiss companies invested CHF 6 billion in the EU, but withdrew CHF 9 billion from their subsidiaries in the rest of Europe. Outflows were also reported in North America, Central and South America (CHF 4 billion in both cases) and Oceania (CHF 2 billion).

At the end of 2014, stocks of direct investment abroad stood at CHF 1,056 billion, of which CHF 951 billion (90%) was equity capital and CHF 105 billion (10%) was intragroup lending. At CHF 363 billion, the category with the highest capital stocks abroad was finance and holding companies.

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By comparison with other countries, Switzerland has high levels of direct investment abroad. Measured in capital stocks, Switzerland is one of the world's largest direct investors (source: IMF, <http://cdis.imf.org>). The reasons for this include the fact that numerous headquarters of large multinationals are located in the country and also that Switzerland is attractive as a location for foreign-controlled holding companies. The countries whose direct investment exceeds even that of Switzerland are the US, the UK, France and Germany, as well as two other holding locations, the Netherlands and Luxembourg.

Income from direct investment abroad amounted to CHF 82 billion, CHF 25 billion more than in the previous year. This increase was due in particular to higher income from foreign subsidiaries in manufacturing, whose investment income almost doubled compared to the prior year.

Compared to 2013, foreign direct investment in Switzerland rose from CHF 1 billion to CHF 6 billion, thanks to the services sector. In particular finance and holding companies, as well as banks, invested significantly more in subsidiaries in Switzerland. Investments in manufacturing companies, on the other hand, declined.

At the end of 2014, stocks of foreign direct investment in Switzerland amounted to CHF 756 billion, of which CHF 735 billion (97%) was equity capital and CHF 21 billion (3%) was intragroup lending. A breakdown by immediate investor shows that 79% of the capital stocks originate from investors in Europe and 13% from investors in the US. A breakdown by ultimate beneficial owner, however, reveals that investors from Europe only owned 45% of the capital stocks and investors from the US, 40%. Investment income from foreign direct investment in Switzerland rose from CHF 31 billion to CHF 64 billion. This was due to higher income from foreign subsidiaries in the services sector, specifically the categories finance and holding companies, and trade.

In their subsidiaries abroad, Swiss companies employed a total of 1,962,000 people, of which 835,000 (43%) were in Europe and 528,000 (27%) were in Asia. In Switzerland, a total of 455,000 people were employed in foreign-controlled companies in 2014.⁴ This corresponded to 11% of the total number of individuals employed in the manufacturing and services sectors in Switzerland,⁵ which amounted to 4,267,000 employees at the end of 2014.

⁴ Staff numbers in these companies are determined by the SNB in cooperation with the Swiss Federal Statistical Office (SFSO), Neuchâtel.

⁵ Sources: Employment statistics published by the SFSO, Neuchâtel, and by the Office of Economic Affairs, Vaduz.

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Direct investment in 2014: Overview

	2013	2014
Swiss direct investment abroad		
Capital transactions in CHF billions	35.7	-3.0
Capital stocks in CHF billions	1064.4	1056.3
Investment income in CHF billions	56.8	82.5
Foreign direct investment in Switzerland		
Capital transactions in CHF billions	0.6	6.1
Capital stocks in CHF billions	697.7	755.8
Investment income in CHF billions	31.3	64.3
Operational data on Swiss subsidiaries abroad		
Number of staff in thousands	1'991.3	1'962.6
Operating data on foreign subsidiaries in Switzerland		
Number of staff ¹ in thousands	437.9	455.4

¹ Including companies not covered by the survey on direct investment since they are below the reporting limit.

The report will be available from 11 December 2015 on the SNB website at www.snb.ch, *Publications, Statistical publications*. The printed version may be obtained from the SNB from 22 December 2015.