



**Communications**

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Zurich, 24 March 2017

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## Swiss balance of payments and international investment position

Q4 2016 and review of the year 2016

### Overview

#### Q4 2016

In the fourth quarter of 2016, the current account surplus amounted to CHF 22 billion, or CHF 5 billion up on the year-back quarter. On the one hand, this increase was attributable to the goods trade, where the receipts surplus rose by CHF 2 billion to CHF 16 billion. On the other hand, the receipts surplus on services was higher (up CHF 1 billion to CHF 5 billion). In addition, secondary income (current transfers) registered a decrease in net expenses of CHF 3 billion to CHF 1 billion. By contrast, the receipts surplus on primary income (labour and capital income) receded by CHF 1 billion to CHF 3 billion.

On the assets side, the financial account recorded a net acquisition of CHF 18 billion (Q4 2015: net acquisition of CHF 60 billion). The increase was mainly attributable to reserve assets. On the liabilities side, there was a net incurrence totalling CHF 1 billion (Q4 2015: net incurrence of CHF 49 billion). Other investment posted a net incurrence, while direct investment and portfolio investment recorded a net reduction. With the inclusion of derivatives, the financial account balance was positive at CHF 20 billion.

In the international investment position, stocks of assets increased by CHF 83 billion to CHF 4,482 billion in the fourth quarter of 2016. This increase was attributable both to transactions reported in the financial account and, in particular, to exchange rate gains on assets denominated in US dollars. Stocks of foreign liabilities were up CHF 49 billion to CHF 3,628 billion as a result of exchange rate effects and statistical changes. The net international investment position advanced by CHF 34 billion to CHF 854 billion.



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## Review of the year 2016

In 2016, the current account surplus amounted to CHF 70 billion, which was CHF 5 billion less than in 2015. The decline was largely attributable to primary income, where the receipts surplus was down by CHF 10 billion to CHF 8 billion. This was counteracted by a decrease in the expenses surplus for secondary income (current transfers), which fell by CHF 3 billion to CHF 10 billion. The receipts surplus for trade in goods rose by CHF 1 billion to CHF 52 billion, that for trade in services by CHF 1 billion to CHF 19 billion.

In the financial account, the net acquisition of financial assets amounted to CHF 95 billion (2015: net acquisition of CHF 235 billion). Switzerland acquired assets especially in the form of reserve assets and direct investment. Liabilities recorded a net incurrence of CHF 18 billion (2015: net incurrence of CHF 139 billion). The net incurrence for other investment exceeded the net reduction for direct investment and portfolio investment. The financial account, including derivatives, reported a positive balance of CHF 83 billion.

In the international investment position, stocks of assets increased by CHF 205 billion to CHF 4,482 billion at the end of 2016. In addition to the net acquisition of assets, capital gains resulting from exchange rate movements were decisive for the increase. Stocks of liabilities fell by CHF 35 billion to CHF 3,628 billion. This was mainly attributable to valuation losses as a result of lower share prices. Overall, the net international investment position advanced by CHF 240 billion to CHF 854 billion.

A detailed presentation of the annual data will be provided in the *Swiss Balance of Payments and International Investment Position 2016*, to be published on 31 May 2017.

## Current account – Q4 2016

### Receipts

At CHF 84 billion, receipts from total goods trade exceeded the figure for the year-back quarter by CHF 8 billion. Goods exports according to the foreign trade statistics (total 1) remained unchanged year-on-year (CHF 53 billion). Exports in the chemical and pharmaceutical industry, and of metal products, were up, while exports in the watch industry and in jewellery receded. Receipts from non-monetary gold trading increased from CHF 19 billion in the year-back quarter to CHF 25 billion. Net merchanting receipts amounted to CHF 6 billion, a CHF 1 billion increase year-on-year.

At CHF 29 billion, receipts from trade in services remained unchanged from the year-back figure. An increase was registered in transport and insurance services. By contrast, receipts from telecommunications, computer, information and business services were down.

As a result of lower income from investment abroad, particularly from direct investment, primary income (labour and investment income) decreased by CHF 14 billion to CHF 29

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billion compared with their fourth quarter 2015 levels. Secondary income (current transfers) advanced by CHF 1 billion to CHF 11 billion compared with the year-earlier quarter.

**Expenses**

Expenses for total goods trade amounted to CHF 68 billion, a CHF 5 billion increase over the year-back quarter. According to the foreign trade statistics (total 1), goods imports increased by CHF 1 billion to CHF 44 billion year-on-year. The largest rise was recorded in chemical and pharmaceutical products and in vehicles. Expenses from non-monetary gold trading came to CHF 23 billion, compared to CHF 18 billion in the fourth quarter of 2015.

At CHF 24 billion, expenses in services imports were down by CHF 1 billion compared to the year-earlier quarter. This was primarily attributable to lower expenses for licence fees and business services. However, transport registered an increase. The other components did not change significantly from their fourth quarter 2015 levels.

As regards primary income (labour and investment income), expenses declined by CHF 14 billion to CHF 26 billion. This was primarily due to lower earnings recorded by investors abroad on their direct investment in Switzerland. Expenses on secondary income (current transfers) totalled CHF 12 billion, down by CHF 2 billion compared to the year-back quarter.

**Net**

The current account surplus amounted to CHF 22 billion, exceeding the year-earlier level by CHF 5 billion. This was the result of all receipts (CHF 152 billion) minus all expenses (CHF 130 billion).

**Financial account – Q4 2016****Net acquisition of financial assets**

Net acquisition of financial assets amounted to CHF 18 billion (Q4 2015: net acquisition of CHF 60 billion). The decisive factor was the net acquisition in reserve assets of CHF 21 billion (Q4 2015: net acquisition of CHF 10 billion). In the case of other investment, the net acquisition of CHF 1 billion (Q4 2015: net acquisition of CHF 24 billion) was due to the fact that the SNB increased its financial assets that do not form part of reserve assets, while commercial banks reduced their claims in interbank business. Direct investment registered a net reduction of CHF 3 billion, mainly as a result of foreign-controlled finance and holding companies domiciled in Switzerland selling participations abroad (Q4 2015: net acquisition of CHF 26 billion). Portfolio investment recorded a net reduction of CHF 1 billion, as domestic investors sold equity securities of foreign issuers. In the year-back quarter, purchases and sales under portfolio investment had been on a par.

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## Net incurrence of liabilities

The liabilities side of the financial account registered a net incurrence of almost CHF 1 billion (Q4 2015: net incurrence of CHF 49 billion). Other investment posted a net incurrence of CHF 24 billion (Q4 2015: net incurrence of CHF 14 billion), mainly because the SNB increased its liabilities abroad. By contrast, direct investment recorded a net reduction of CHF 13 billion (Q4 2015: net incurrence of CHF 40 billion). This was mainly attributable to foreign-controlled finance and holding companies, from which investors abroad withdrew equity capital associated with group reorganisations. In addition, investors abroad sold more equity securities of Swiss issuers than they purchased, resulting in a net reduction of CHF 11 billion in portfolio investment (Q4 2015: net reduction of CHF 5 billion).

## Net

The net figure for the financial account was CHF 20 billion (Q4 2015: CHF 11 billion). This is calculated as the sum of all net acquisitions of assets minus the sum of all net incurrences of liabilities plus the balance from derivatives transactions. This positive financial account balance corresponds to the increase in the net international investment position resulting from cross-border transactions.

## Switzerland's international investment position – Q4 2016

### Assets

Stocks of foreign assets climbed by CHF 83 billion to CHF 4,482 billion compared to the third quarter of 2016. This increase, which occurred in all components, was attributable both to transactions reported in the financial account and to capital gains resulting from exchange rate movements. Stocks of direct investment were up CHF 14 billion to CHF 1,555 billion. Portfolio investment grew by CHF 22 billion to CHF 1,283 billion, in particular due to exchange rate gains on securities denominated in US dollars. Other investment also increased by CHF 21 billion to CHF 838 billion. Reserve assets climbed by CHF 14 billion to CHF 690 billion, with transactions being partly offset by valuation losses on gold holdings and securities. Stocks of derivatives grew by CHF 12 billion to CHF 116 billion.

### Liabilities

Stocks of foreign liabilities rose by CHF 49 billion to CHF 3,628 billion compared to the previous quarter. Other investment recorded the largest increase, partly as a result of the SNB's cross-border transactions, growing by CHF 39 billion to CHF 1,217 billion. Stocks of derivatives and portfolio investment were up as well, advancing by CHF 10 billion to CHF 110 billion and by CHF 5 billion CHF 1,062 billion respectively. By contrast, stocks of direct investment decreased by CHF 5 billion to CHF 1,239 billion.

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## Net international investment position

Since foreign assets expanded more markedly (CHF +83 billion) than foreign liabilities (CHF +49 billion), the net international investment position advanced by CHF 34 billion to CHF 854 billion compared to the previous quarter.

## Remarks

The balance of payments (current account and financial account) covers Switzerland's cross-border transactions with other countries over a given period. The international investment position indicates the stocks of Switzerland's foreign financial assets (claims) and liabilities abroad at the end of this period. Changes in assets and liabilities in the international investment position are the result, first, of transactions recorded in the financial account. Second, capital gains and losses resulting from stock market and exchange rate movements, as well as other changes in stocks, have an impact on capital stocks.

In the comments on the balance of payments, period-by-period comparisons of transactions refer to the year-back quarter, since certain items are influenced by seasonal factors (e.g. tourism), especially in the current account. Seasonally adjusted data are not available. By contrast, the period-by-period comparisons in the international investment position refer to stocks at the end of the previous quarter. The focus in this case is on changes in stocks over the course of the period under review.

For comprehensive tables covering the balance of payments and the international investment position, cf. the SNB's data portal, [data.snb.ch](http://data.snb.ch), *Table selection, International economic affairs*.

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## SWISS BALANCE OF PAYMENTS – OVERVIEW

In CHF millions

	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4
<b>Current account, net</b>	<b>16,913</b>	<b>8,003</b>	<b>18,891</b>	<b>20,585</b>	<b>22,023</b>
Receipts	157,967	139,064	152,247	149,424	152,017
Expenses	141,054	131,061	133,356	128,839	129,994
<b>Goods and services, net</b>	<b>17,363</b>	<b>10,524</b>	<b>18,626</b>	<b>21,658</b>	<b>20,393</b>
Receipts	105,474	97,788	107,481	107,880	112,806
Expenses	88,110	87,264	88,855	86,223	92,413
<b>Goods, net</b>	<b>13,251</b>	<b>5,940</b>	<b>13,874</b>	<b>16,840</b>	<b>15,686</b>
Receipts	76,324	70,693	79,394	79,180	84,043
Foreign trade of which					
Foreign trade total <sup>1</sup>	53,352	51,588	53,493	52,530	53,095
Non-monetary gold	18,660	13,073	19,112	20,912	24,825
Supplements to foreign trade <sup>2</sup>	-3,201	-3,149	-2,573	-3,013	-2,810
Merchanting	4,890	6,510	6,833	6,768	6,208
Expenses	63,073	64,753	65,520	62,340	68,357
Foreign trade of which					
Foreign trade total <sup>1</sup>	43,699	42,240	44,214	42,353	44,219
Non-monetary gold	18,184	20,602	18,650	18,475	22,724
Supplements to foreign trade <sup>2</sup>	-1,113	-985	-479	-836	-720
<b>Services, net</b>	<b>4,112</b>	<b>4,584</b>	<b>4,752</b>	<b>4,818</b>	<b>4,707</b>
Receipts	29,150	27,095	28,087	28,700	28,762
Expenses	25,037	22,511	23,335	23,882	24,055
<b>Primary income, net</b>	<b>3,548</b>	<b>165</b>	<b>4,038</b>	<b>1,033</b>	<b>2,845</b>
Receipts	43,122	31,399	34,778	31,201	28,630
Expenses	39,574	31,234	30,740	30,169	25,784
<b>Labour income, net</b>	<b>-5,329</b>	<b>-5,492</b>	<b>-5,501</b>	<b>-5,583</b>	<b>-5,554</b>
Receipts	614	614	614	614	614
Expenses	5,943	6,106	6,115	6,197	6,168
<b>Investment income, net</b>	<b>8,877</b>	<b>5,657</b>	<b>9,539</b>	<b>6,615</b>	<b>8,399</b>
Receipts	42,508	30,785	34,164	30,587	28,016
Expenses	33,631	25,128	24,625	23,972	19,616
<b>Secondary income, net</b>	<b>-3,999</b>	<b>-2,686</b>	<b>-3,772</b>	<b>-2,105</b>	<b>-1,215</b>
Receipts	9,371	9,877	9,988	10,343	10,582
Expenses	13,370	12,563	13,760	12,448	11,797
<b>Capital account, net</b>	<b>-92</b>	<b>-222</b>	<b>12</b>	<b>147</b>	<b>-39</b>
Receipts	629	400	101	302	359
Expenses	720	622	89	155	398

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<b>Financial account (excluding derivatives), net</b>	<b>10,333</b>	<b>17,166</b>	<b>6,010</b>	<b>36,171</b>	<b>18,065</b>
Net acquisition of financial assets	59,551	-12,609	39,827	49,532	18,528
Net incurrence of liabilities	49,218	-29,775	33,817	13,361	462
<b>Direct investment, net</b>	<b>-13,940</b>	<b>17,005</b>	<b>6,376</b>	<b>23,352</b>	<b>9,913</b>
Net acquisition of financial assets	26,419	38,029	-4,617	8,880	-2,779
Net incurrence of liabilities	40,359	21,025	-10,993	-14,472	-12,692
<b>Portfolio investment, net</b>	<b>4,959</b>	<b>9,659</b>	<b>-523</b>	<b>2,752</b>	<b>10,114</b>
Net acquisition of financial assets	66	954	370	97	-642
Net incurrence of liabilities	-4,893	-8,705	893	-2,655	-10,756
<b>Other investment, net</b>	<b>9,725</b>	<b>-27,705</b>	<b>-23,147</b>	<b>-4,458</b>	<b>-23,000</b>
Net acquisition of financial assets	23,478	-69,800	20,770	26,029	911
Net incurrence of liabilities	13,753	-42,095	43,917	30,488	23,910
<b>Reserve assets, net</b>	<b>9,588</b>	<b>18,207</b>	<b>23,304</b>	<b>14,525</b>	<b>21,038</b>
<b>Derivatives, net</b>	<b>621</b>	<b>940</b>	<b>640</b>	<b>1,505</b>	<b>2,421</b>
<b>Statistical difference</b>	<b>-5,867</b>	<b>10,324</b>	<b>-12,253</b>	<b>16,944</b>	<b>-1,498</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: Cross-border processing traffic, returned goods, CIF/FOB adjustment on imports.

## SWITZERLAND'S INTERNATIONAL INVESTMENT POSITION – OVERVIEW

In CHF millions

	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4
<b>Assets</b>	<b>4,276,482</b>	<b>4,250,601</b>	<b>4,343,442</b>	<b>4,398,528</b>	<b>4,481,926</b>
Direct investment	1,498,114	1,534,018	1,534,711	1,540,778	1,555,172
Portfolio investment	1,224,991	1,213,287	1,237,319	1,260,807	1,282,962
Derivatives	117,224	121,763	124,583	103,745	115,566
Other investment	834,793	759,201	788,978	816,556	837,729
Reserve assets	601,359	622,331	657,852	676,641	690,497
<b>Liabilities</b>	<b>3,662,767</b>	<b>3,529,949</b>	<b>3,572,423</b>	<b>3,578,522</b>	<b>3,627,674</b>
Direct investment	1,245,178	1,267,524	1,259,354	1,243,276	1,238,488
Portfolio investment	1,132,182	1,033,350	1,032,377	1,056,631	1,061,985
Derivatives	113,206	116,457	120,428	100,892	110,435
Other investment	1,172,200	1,112,617	1,160,263	1,177,724	1,216,767
<b>Net international investment position</b>	<b>613,715</b>	<b>720,653</b>	<b>771,019</b>	<b>820,005</b>	<b>854,252</b>
Direct investment	252,936	266,494	275,357	297,502	316,683
Portfolio investment	92,809	179,937	204,941	204,177	220,978
Derivatives	4,018	5,306	4,155	2,854	5,131
Other investment	-337,407	-353,416	-371,286	-361,167	-379,037
Reserve assets	601,359	622,331	657,852	676,641	690,497