

Communications

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Swiss balance of payments and international investment position Q1 2017

Overview

In the first quarter of 2017, the current account surplus amounted to CHF 11 billion, or CHF 3 billion up on the year-back quarter. The increase was due to the higher receipts surplus on trade in goods and services. Primary income (labour and investment income) recorded an expenses surplus, following a slight receipts surplus in the first quarter of 2016. This development is attributable to receipts from direct investment declining more sharply than expenses. The expenses surplus on secondary income (current transfers) was somewhat lower than in the same quarter in the previous year.

The transactions recorded in the financial account resulted in a net acquisition of financial assets of CHF 15 billion in the first quarter of 2017 (Q1 2016: net reduction of CHF 13 billion). A major contribution was made by reserve assets, which showed a high net acquisition due to the SNB's foreign currency purchases. Direct investment and portfolio investment also recorded net acquisitions. This was in contrast to a net reduction in other investment, due largely to the SNB decreasing its financial assets that are not included in reserve assets. The liabilities side registered a net reduction of CHF 4 billion (Q1 2016: net reduction of CHF 30 billion). A key factor was the high net reduction in other investment attributable to commercial banks decreasing liabilities towards non-resident banks. Direct investment, by contrast, experienced a net incurrence of liabilities.

In the international investment position, stocks of assets increased by CHF 7 billion to CHF 4,489 billion in the first quarter of 2017. This rise was due to the transactions reported in the financial account and to capital gains on the back of higher stock market prices abroad. Exchange rate losses on assets denominated in US dollars weakened the increase. Stocks of liabilities were up by CHF 21 billion to CHF 3,649 billion, primarily as a result of price gains

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on the Swiss stock exchange. The net international investment position fell by CHF 14 billion to CHF 840 billion.

Current account**Receipts**

At CHF 75 billion, receipts from total goods trade exceeded the figure for the year-back quarter by CHF 4 billion. According to the foreign trade statistics (total 1), receipts from goods exports increased by CHF 3 billion year-on-year to CHF 55 billion – exports of chemical and pharmaceutical products, and metals, were up, while exports in the watch industry and in jewellery receded. In addition, receipts from non-monetary gold trading increased, by CHF 1 billion year-on-year to CHF 14 billion. And finally, at CHF 7 billion, net merchanting receipts remained on a par with the year-back figure.

Receipts from foreign trade in services came to CHF 28 billion, up CHF 1 billion over the year-earlier figure. The increase was primarily due to transport, insurance services, business services and licence fees.

As a result of lower receipts from investment abroad, particularly from direct investment, primary income (labour and investment income) decreased by CHF 5 billion to CHF 27 billion compared with the first quarter of 2016. Secondary income (current transfers) advanced by CHF 1 billion to CHF 11 billion year-on-year.

Expenses

Expenses for total goods trade amounted to CHF 65 billion, the same level as a year previously. According to the foreign trade statistics (total 1), goods imports increased by CHF 2 billion to CHF 44 billion compared to the year-back level, with the largest rise recorded in chemical and pharmaceutical products, energy sources and the machinery and electronics category. Expenses from non-monetary gold trading came to CHF 19 billion, compared to CHF 21 billion in the first quarter of 2016.

Expenses for services imports were at CHF 23 billion, the same level as in the year-back quarter. The increase in transport services and licence fees was offset by the decline in tourism as well as telecommunications, computer and information services.

At CHF 29 billion, expenses for primary income (labour and investment income) were down by CHF 2 billion year-on-year. With regard to secondary income (current transfers), expenses totalled CHF 13 billion, equalling the amount in the year-back quarter.

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The current account surplus amounted to CHF 11 billion, a CHF 3 billion increase over the year-back quarter. It was calculated as the sum of all receipts (CHF 141 billion) minus the sum of all expenses (CHF 130 billion).

Financial account**Net acquisition of financial assets**

The net acquisition of financial assets totalled CHF 15 billion (Q1 2016: net reduction of CHF 13 billion). Reserve assets saw a net acquisition of CHF 36 billion (Q1 2016: net acquisition of CHF 18 billion) as a result of the SNB's foreign currency purchases. Direct investment recorded a net acquisition of CHF 8 billion (Q1 2016: net acquisition of CHF 38 billion), with resident parent companies reinvesting profits in their non-resident subsidiaries and, additionally, strengthening the subsidiaries' equity capital. Portfolio investment posted a net acquisition of CHF 3 billion (Q1 2016: net acquisition of CHF 1 billion), as resident investors purchased mainly collective investment schemes from non-resident issuers. By contrast, other investment recorded a net reduction of CHF 32 billion (Q1 2016: net reduction of CHF 70 billion). This was the result, first, of the SNB reducing its financial assets abroad that are not included in reserve assets and, second, commercial banks decreasing their claims against non-resident banks.

Net incurrence of liabilities

Overall, the liabilities side of the financial account registered a net reduction of CHF 4 billion (Q1 2016: net reduction of CHF 30 billion). Other investment recorded a net reduction of CHF 14 billion (Q1 2016: net reduction of CHF 42 billion), primarily due to commercial banks decreasing their liabilities towards non-resident banks. Direct investment saw a net incurrence of CHF 12 billion (Q1 2016: net incurrence of CHF 21 billion). In particular, this was the result of resident parent companies taking out loans from their non-resident subsidiaries. Portfolio investment showed a net reduction of CHF 1 billion (Q1 2016: net reduction of CHF 9 billion); while non-resident investors purchased debt securities from resident issuers, they sold comparatively more shares of resident issuers in terms of value.

Net

As in the year-back quarter, the financial account balance came to CHF 18 billion. This is calculated as the sum of all net acquisitions of assets minus the sum of all net incurrence 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 investment.

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Switzerland's international investment position

Foreign assets

Stocks of foreign assets were up CHF 7 billion on the previous quarter to CHF 4,489 billion. Stocks of reserve assets expanded by CHF 40 billion to CHF 731 billion, with a large portion of this increase resulting from transactions reported in the financial account (net acquisition of financial assets). The assets under portfolio investment grew by CHF 25 billion to CHF 1,308 billion. This increase was predominantly based on price gains of equity securities on stock markets abroad. Stocks of other investment decreased by CHF 31 billion to CHF 807 billion, chiefly due to transactions. Stocks of derivatives declined by CHF 25 billion to CHF 91 billion, and stocks of direct investment by CHF 3 billion to CHF 1,552 billion.

Foreign liabilities

Stocks of foreign liabilities rose by CHF 21 billion to CHF 3,649 billion compared to the previous quarter. Stocks of portfolio investment were up by CHF 63 billion to CHF 1,125 billion, mainly on the back of share price gains on the Swiss stock exchange. The liabilities under direct investment increased by CHF 19 billion to CHF 1,257 billion as a result of transactions. By contrast, other investment receded by CHF 42 billion to CHF 1,175 billion, and stocks of derivatives by CHF 19 billion to CHF 92 billion.

Net international investment position

The net international investment position declined by CHF 14 billion to CHF 840 billion compared with the previous quarter, since foreign liabilities (up CHF 21 billion) advanced more strongly than foreign assets (up CHF 7 billion).

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.

A detailed explanation of the balance of payments and the international investment position, as well as their interconnections, is included as a special topic in the *Swiss Balance of Payments and International Investment Position 2016*. The report is available on the SNB's website, www.snb.ch, *Publications, Statistical Publications*.

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.

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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, *Table selection, International economic affairs*.

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SWISS BALANCE OF PAYMENTS – OVERVIEW

In CHF millions

	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1
Current account, net	8,003	18,891	20,585	22,023	11,118
Receipts	139,064	152,247	149,424	152,017	140,671
Expenses	131,061	133,356	128,839	129,994	129,554
Goods and services, net	10,524	18,626	21,658	20,393	16,032
Receipts	97,788	107,481	107,880	112,806	103,533
Expenses	87,264	88,855	86,223	92,413	87,501
Goods, net	5,940	13,874	16,840	15,686	10,503
Receipts	70,693	79,394	79,180	84,043	75,053
Foreign trade of which					
Foreign trade total ¹	67,332	75,134	75,426	80,645	71,418
Non-monetary gold	51,588	53,493	52,530	53,095	54,944
Supplements to foreign trade ²	13,073	19,112	20,912	24,825	13,646
Expenses	-3,149	-2,573	-3,013	-2,810	-3,052
Merchanting	6,510	6,833	6,768	6,208	6,688
Expenses	64,753	65,520	62,340	68,357	64,550
Foreign trade of which					
Foreign trade total ¹	65,738	65,999	63,176	69,078	65,455
Non-monetary gold	42,240	44,214	42,353	44,219	43,849
Supplements to foreign trade ²	20,602	18,650	18,475	22,724	19,181
Expenses	-985	-479	-836	-720	-905
Services, net	4,584	4,752	4,818	4,707	5,529
Receipts	27,095	28,087	28,700	28,762	28,480
Expenses	22,511	23,335	23,882	24,055	22,951
Primary income, net	165	4,038	1,033	2,845	-2,818
Receipts	31,399	34,778	31,201	28,630	26,522
Expenses	31,234	30,740	30,169	25,784	29,340
Labour income, net	-5,492	-5,501	-5,583	-5,554	-5,705
Receipts	614	614	614	614	614
Expenses	6,106	6,115	6,197	6,168	6,319
Investment income, net	5,657	9,539	6,615	8,399	2,887
Receipts	30,785	34,164	30,587	28,016	25,908
Expenses	25,128	24,625	23,972	19,616	23,021
Secondary income, net	-2,686	-3,772	-2,105	-1,215	-2,096
Receipts	9,877	9,988	10,343	10,582	10,616
Expenses	12,563	13,760	12,448	11,797	12,712
Capital account, net	-222	12	147	-39	50
Receipts	400	101	302	359	276
Expenses	622	89	155	398	226

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Financial account (excluding derivatives), net	17,166	6,010	36,171	18,065	18,120
Net acquisition of financial assets	-12,609	39,827	49,532	18,528	14,553
Net incurrence of liabilities	-29,775	33,817	13,361	462	-3,567
Direct investment, net	17,005	6,376	23,352	9,913	-3,275
Net acquisition of financial assets	38,029	-4,617	8,880	-2,779	8,415
Net incurrence of liabilities	21,025	-10,993	-14,472	-12,692	11,690
Portfolio investment, net	9,659	-523	2,752	10,114	4,230
Net acquisition of financial assets	954	370	97	-642	2,930
Net incurrence of liabilities	-8,705	893	-2,655	-10,756	-1,300
Other investment, net	-27,705	-23,147	-4,458	-23,000	-18,460
Net acquisition of financial assets	-69,800	20,770	26,029	911	-32,417
Net incurrence of liabilities	-42,095	43,917	30,488	23,910	-13,957
Reserve assets, net	18,207	23,304	14,525	21,038	35,626
Derivatives, net	940	640	1,505	2,421	-279
Statistical difference	10,324	-12,253	16,944	-1,498	6,674

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

² 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

	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1
Assets	4,250,601	4,343,442	4,398,528	4,481,926	4,488,861
Direct investment	1,534,018	1,534,711	1,540,778	1,555,172	1,552,083
Portfolio investment	1,213,287	1,237,319	1,260,807	1,282,962	1,308,421
Derivatives	121,763	124,583	103,745	115,566	90,939
Other investment	759,201	788,978	816,556	837,729	806,603
Reserve assets	622,331	657,852	676,641	690,497	730,815
Liabilities	3,529,949	3,572,423	3,578,522	3,627,674	3,649,032
Direct investment	1,267,524	1,259,354	1,243,276	1,238,488	1,257,104
Portfolio investment	1,033,350	1,032,377	1,056,631	1,061,985	1,125,064
Derivatives	116,457	120,428	100,892	110,435	91,764
Other investment	1,112,617	1,160,263	1,177,724	1,216,767	1,175,100
Net international investment position	720,653	771,019	820,005	854,252	839,829
Direct investment	266,494	275,357	297,502	316,683	294,979
Portfolio investment	179,937	204,941	204,177	220,978	183,357
Derivatives	5,306	4,155	2,854	5,131	-825
Other investment	-353,416	-371,286	-361,167	-379,037	-368,497
Reserve assets	622,331	657,852	676,641	690,497	730,815