



**Communications**

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## Swiss balance of payments and international investment position

### Q2 2017

#### Overview

In the second quarter of 2017, the current account surplus amounted to CHF 19 billion, a reduction of CHF 1 billion on the year-back quarter. While the receipts surplus in goods trade increased, the surplus in primary income (labour and investment income) and in services declined. The expenses surplus in secondary income (current transfers) was also somewhat lower than in the same quarter in the previous year.

The transactions recorded in the financial account resulted in both a high net acquisition of financial assets (CHF 52 billion) and a high net incurrence of liabilities (CHF 40 billion) in the second quarter of 2017. The net acquisition on the assets side was largely due to other investment and reserve assets. On the liabilities side, direct investment, in particular, registered a high net incurrence, as a result of acquisitions of resident companies by non-resident investors. Other investment also saw a net incurrence of liabilities, while portfolio investment experienced a net reduction. Overall, the financial account, including derivatives, reported a positive balance of CHF 12 billion.

The net international investment position in the second quarter of 2017 fell by CHF 20 billion to CHF 820 billion. Stocks of assets were up by CHF 12 billion to CHF 4,512 billion, and stocks of liabilities by CHF 32 billion to CHF 3,692 billion. Despite a positive financial account balance, liabilities grew more than assets for two reasons. Firstly, assets recorded exchange rate losses as a result of the weaker US dollar. Assets are much more strongly affected by exchange rate fluctuations than liabilities since the majority of assets are held in foreign currencies. Secondly, capital gains were recorded on the liabilities side due to price rises on the stock market. Since the share of equity securities is higher in liabilities than in assets, movements in share prices have a stronger impact on liabilities than on assets.

Press release

## Current account

### Receipts

At CHF 79 billion, receipts from total goods trade were CHF 1 billion lower than in the year-back quarter. The decrease was attributable, first, to receipts from non-monetary gold trading, which fell by CHF 1 billion to CHF 18 billion, and, second, to net receipts from merchanting, which declined by CHF 1 billion to CHF 6 billion. By contrast, receipts from goods exports according to the foreign trade statistics (total 1) increased by CHF 1 billion to CHF 55 billion; while exports of jewellery and metals were up, exports of machinery and electronics receded.

At CHF 29 billion, receipts from foreign trade in services were equivalent to those of the year-back quarter. Tourism, financial services and licence fees registered an increase, while business services receipts declined.

As a result of lower receipts from investment abroad, particularly from direct investment, primary income (labour and investment income) decreased year-on-year by CHF 2 billion to CHF 33 billion. Secondary income (current transfers) advanced by CHF 1 billion to CHF 11 billion.

### Expenses

Expenses for total goods trade amounted to CHF 63 billion, a CHF 2 billion reduction from the year-back quarter. In particular, expenses for non-monetary gold trading receded, by CHF 3 billion to CHF 15 billion. Expenses for goods imports according to the foreign trade statistics (total 1), by contrast, grew by CHF 2 billion to CHF 46 billion, with the largest rise recorded in chemical and pharmaceutical products as well as textiles, clothing and footwear.

At CHF 25 billion, expenses for services imports exceeded the figure for the year-back quarter by CHF 1 billion. This increase was chiefly driven by telecommunications, computer and information services, and business services.

Expenses for primary income (labour and investment income) came to CHF 31 billion, thus remaining at the same level as in the year-back quarter. Expenses for secondary income (current transfers) reduced by CHF 1 billion to CHF 13 billion.

### Net

The current account surplus amounted to CHF 19 billion, a CHF 1 billion reduction from the year-back quarter. It was calculated as the sum of all receipts (CHF 151 billion) minus the sum of all expenses (CHF 132 billion).

Press release

## Financial account

### Net acquisition of financial assets

The net acquisition of financial assets totalled CHF 52 billion (Q2 2016: net acquisition of CHF 40 billion). Other investment saw a net acquisition of CHF 49 billion (Q2 2016: net acquisition of CHF 21 billion), with commercial banks in Switzerland increasing their claims against both non-resident banks and customers. As a result of the SNB's foreign currency purchases, reserve assets recorded a net acquisition of CHF 19 billion (Q2 2016: net acquisition of CHF 23 billion). By contrast, direct investment recorded a net reduction of CHF 15 billion (Q2 2016: net reduction of CHF 5 billion). This was attributable to the fact that companies in Switzerland reduced their loans to affiliates abroad. In portfolio investment, resident investors' purchases and sales of securities issued by non-residents were on a par, as in the year-back quarter.

### Net incurrence of liabilities

Overall, the liabilities side of the financial account registered a net incurrence of CHF 40 billion (Q2 2016: net incurrence of CHF 34 billion). This net incurrence was mainly attributable to corporate acquisitions: non-resident investors purchased majority interests in companies resident in Switzerland that had been previously held in free float by resident and non-resident investors. These transactions dominated both direct investment and portfolio investment. Direct investment posted a net incurrence of CHF 48 billion (Q2 2016: net reduction of CHF 11 billion). The corporate acquisitions were particularly evident in equity capital. The net reduction of liabilities in portfolio investment of CHF 27 billion (Q2 2016: net acquisition of CHF 1 billion) reflected the sale of free-float shares by former non-resident investors. Other investment posted net incurrence totalling CHF 19 billion (Q2 2016: net incurrence of CHF 44 billion). This was largely caused by an increase in the liabilities of commercial banks in Switzerland towards non-resident banks.

### Net

The financial account balance came to CHF 12 billion (Q2 2016: CHF 7 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.

Press release

## Switzerland's international investment position

### Foreign assets

Stocks of foreign assets were up CHF 12 billion on the previous quarter to CHF 4,512 billion. Whereas the transactions reported in the financial account (net acquisition of financial assets: CHF 52 billion) contributed to the increase in foreign assets, exchange rate losses on assets denominated in US dollars led to a decline. A reclassification was a significant factor in the main items on the assets side: As part of a group restructuring, loans which were previously reported under other investment were now reported under direct investment. This notwithstanding, stocks of direct investment fell by CHF 2 billion to CHF 1,554 billion due both to high exchange rate losses and to disinvestment. Despite the reclassification, stocks of other investment increased by CHF 15 billion to CHF 828 billion, in particular as a result of the high levels of transactions (net acquisition of financial assets: CHF 49 billion). Reserve assets grew by CHF 8 billion to CHF 739 billion. The assets under portfolio investment fell by CHF 9 billion to CHF 1,300 billion, largely due to exchange rate losses. Derivatives remained virtually unchanged at CHF 90 billion.

### Foreign liabilities

Stocks of foreign liabilities rose by CHF 32 billion to CHF 3,692 billion compared to the previous quarter. This was mainly attributable to the increase in direct investment stocks, which rose by CHF 46 billion to CHF 1,306 billion as a result of the large volumes of transactions reported in the financial account. Despite the high net reduction in liabilities, portfolio investment stocks declined by just CHF 9 billion to CHF 1,116 billion, due to price gains on the Swiss stock exchange of shares held by non-resident investors. Other investment decreased by CHF 6 billion to CHF 1,178 billion. Derivatives remained virtually unchanged, as on the assets side, at CHF 91 billion.

### Net international investment position

The net international investment position declined by CHF 20 billion to CHF 820 billion compared with the previous quarter, since foreign liabilities (up CHF 32 billion) advanced more strongly than foreign assets (up CHF 12 billion).

### Backcasting of current account time series to 1983

Current account data has now been backward calculated to 1983 (previously 2000). Time series for the financial account and the international investment position continue to start at 2000.

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## 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](http://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. 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*.

Press release

**SWISS BALANCE OF PAYMENTS – OVERVIEW**

In CHF millions

	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2
<b>Current account, net</b>	<b>19,420</b>	<b>17,515</b>	<b>19,953</b>	<b>12,055</b>	<b>18,748</b>
Receipts	153,033	147,673	155,342	145,306	150,750
Expenses	133,613	130,158	135,389	133,251	132,002
<b>Goods and services, net</b>	<b>19,238</b>	<b>18,790</b>	<b>18,961</b>	<b>14,419</b>	<b>19,637</b>
Receipts	108,149	106,044	116,085	103,505	107,435
Expenses	88,911	87,254	97,123	89,085	87,799
<b>Goods, net</b>	<b>14,510</b>	<b>13,991</b>	<b>13,943</b>	<b>9,867</b>	<b>15,550</b>
Receipts	79,905	77,025	83,390	75,341	78,695
Foreign trade of which					
Foreign trade total <sup>1</sup>	53,495	52,468	53,032	55,036	54,551
Non-monetary gold	19,112	20,912	24,946	13,596	18,017
Supplements to foreign trade <sup>2</sup>	-2,567	-3,005	-2,748	-3,015	-2,731
Merchanting	7,336	4,666	5,454	6,883	6,412
Expenses	65,396	63,033	69,448	65,474	63,146
Foreign trade of which					
Foreign trade total <sup>1</sup>	44,264	42,581	44,454	44,105	46,387
Non-monetary gold	18,650	19,058	23,499	19,833	15,466
Supplements to foreign trade <sup>2</sup>	-653	-1,014	-852	-1,046	-859
<b>Services, net</b>	<b>4,729</b>	<b>4,799</b>	<b>5,019</b>	<b>4,552</b>	<b>4,087</b>
Receipts	28,244	29,019	32,694	28,163	28,740
Expenses	23,515	24,221	27,676	23,611	24,653
<b>Primary income, net</b>	<b>3,757</b>	<b>750</b>	<b>2,466</b>	<b>-614</b>	<b>1,419</b>
Receipts	34,763	31,184	28,611	30,967	32,521
Expenses	31,006	30,434	26,145	31,582	31,102
<b>Labour income, net</b>	<b>-5,804</b>	<b>-5,886</b>	<b>-5,941</b>	<b>-5,962</b>	<b>-5,950</b>
Receipts	615	615	615	615	615
Expenses	6,419	6,501	6,556	6,577	6,565
<b>Investment income, net</b>	<b>9,561</b>	<b>6,636</b>	<b>8,407</b>	<b>5,348</b>	<b>7,369</b>
Receipts	34,148	30,569	27,996	30,352	31,906
Expenses	24,587	23,933	19,590	25,004	24,537
<b>Secondary income, net</b>	<b>-3,575</b>	<b>-2,026</b>	<b>-1,475</b>	<b>-1,750</b>	<b>-2,307</b>
Receipts	10,121	10,444	10,646	10,834	10,794
Expenses	13,696	12,470	12,121	12,585	13,102
<b>Capital account, net</b>	<b>19</b>	<b>150</b>	<b>2,673</b>	<b>-10</b>	<b>-36</b>
Receipts	106	303	2,879	153	217
Expenses	87	153	205	163	253

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<b>Financial account (excluding derivatives), net</b>	<b>6,010</b>	<b>36,171</b>	<b>18,065</b>	<b>12,842</b>	<b>12,465</b>
Net acquisition of financial assets	39,827	49,532	18,528	20,436	52,474
Net incurrence of liabilities	33,817	13,361	462	7,594	40,009
<b>Direct investment, net</b>	<b>6,376</b>	<b>23,352</b>	<b>9,913</b>	<b>43</b>	<b>-63,019</b>
Net acquisition of financial assets	-4,617	8,880	-2,779	12,664	-14,907
Net incurrence of liabilities	-10,993	-14,472	-12,692	12,621	48,112
<b>Portfolio investment, net</b>	<b>-523</b>	<b>2,752</b>	<b>10,114</b>	<b>4,928</b>	<b>26,481</b>
Net acquisition of financial assets	370	97	-642	3,700	-465
Net incurrence of liabilities	893	-2,655	-10,756	-1,228	-26,946
<b>Other investment, net</b>	<b>-23,147</b>	<b>-4,458</b>	<b>-23,000</b>	<b>-27,755</b>	<b>29,978</b>
Net acquisition of financial assets	20,770	26,029	911	-31,553	48,822
Net incurrence of liabilities	43,917	30,488	23,910	-3,799	18,843
<b>Reserve assets, net</b>	<b>23,304</b>	<b>14,525</b>	<b>21,038</b>	<b>35,626</b>	<b>19,025</b>
<b>Derivatives, net</b>	<b>640</b>	<b>1,505</b>	<b>2,421</b>	<b>-394</b>	<b>-530</b>
<b>Statistical difference</b>	<b>-12,788</b>	<b>20,011</b>	<b>-2,140</b>	<b>403</b>	<b>-6,777</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

	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2
<b>Assets</b>	<b>4,343,442</b>	<b>4,398,528</b>	<b>4,481,926</b>	<b>4,499,607</b>	<b>4,511,905</b>
Direct investment	1,534,711	1,540,778	1,555,172	1,555,482	1,553,772
Portfolio investment	1,237,319	1,260,807	1,282,962	1,308,982	1,300,136
Derivatives	124,583	103,745	115,566	90,926	90,437
Other investment	788,978	816,556	837,729	813,401	828,411
Reserve assets	657,852	676,641	690,497	730,815	739,149
<b>Liabilities</b>	<b>3,572,423</b>	<b>3,578,522</b>	<b>3,627,674</b>	<b>3,659,900</b>	<b>3,692,066</b>
Direct investment	1,259,354	1,243,276	1,238,488	1,260,081	1,305,904
Portfolio investment	1,032,377	1,056,631	1,061,985	1,125,251	1,116,360
Derivatives	120,428	100,892	110,435	90,631	91,471
Other investment	1,160,263	1,177,724	1,216,767	1,183,937	1,178,331
<b>Net international investment position</b>	<b>771,019</b>	<b>820,005</b>	<b>854,252</b>	<b>839,707</b>	<b>819,839</b>
Direct investment	275,357	297,502	316,683	295,402	247,868
Portfolio investment	204,941	204,177	220,978	183,732	183,776
Derivatives	4,155	2,854	5,131	295	-1,034
Other investment	-371,286	-361,167	-379,037	-370,536	-349,920
Reserve assets	657,852	676,641	690,497	730,815	739,149