



Communications

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Swiss balance of payments and international investment position

Q1 2019

Overview

In the first quarter of 2019, the current account surplus amounted to CHF 17 billion, on a par with the same quarter of 2018. Trade in services recorded a higher receipts surplus compared with the year-back quarter, whereas secondary income registered a higher expenses surplus. The balances of trade in goods and primary income barely changed.

Transactions reported in the financial account showed a net reduction in both assets (CHF 33 billion) and liabilities (CHF 29 billion) in the first quarter of 2019. In both cases, the reduction can be ascribed mainly to transactions in the other investment category. The SNB in particular decreased its foreign claims and liabilities in connection with repo transactions. The net reduction was reinforced by transactions conducted by foreign-controlled finance and holding companies, which reduced their balance sheets in Switzerland. This led to a net reduction in direct investment on both the assets and liabilities sides. Overall, the financial account reported a negative balance of CHF 4 billion.

The international investment position was strongly affected in the first quarter of 2019 by valuation gains due to increases in prices on the stock exchanges in Switzerland and abroad. Stocks of assets were up by CHF 20 billion overall to CHF 4,805 billion, and stocks of liabilities by CHF 94 billion to CHF 3,995 billion.



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Current account

Receipts

At CHF 79 billion, receipts from total goods trade receded by CHF 4 billion compared to the year-back quarter. The decrease was due to lower income from exports of non-monetary gold, which dropped by CHF 6 billion to CHF 9 billion. Receipts from merchanting also declined, by CHF 1 billion to CHF 8 billion. Income from trade in goods according to the foreign trade statistics (total 1), by contrast, grew by CHF 3 billion to CHF 61 billion.

Receipts from foreign trade in services amounted to CHF 31 billion, up CHF 1 billion on the year-back quarter. Higher income from licence fees, which rose by CHF 1 billion to CHF 7 billion, was the main factor behind this increase.

At CHF 27 billion, receipts under primary income (labour and investment income) were down by CHF 3 billion on the year-back quarter. This was primarily attributable to lower direct investment income abroad. Receipts under secondary income (current transfers) amounted to CHF 11 billion, a CHF 1 billion increase over the year-back quarter. This was predominantly due to higher claim payments to reinsurance companies in Switzerland for loss events reinsured abroad.

Expenses

Expenses for total goods trade amounted to CHF 63 billion, a CHF 3 billion decrease against the year-back quarter. A decline was recorded in particular in expenses for non-monetary gold, which dropped by CHF 4 billion to CHF 10 billion. Expenses according to the foreign trade statistics (total 1), by contrast, grew by CHF 1 billion to CHF 52 billion.

Expenses for services imports amounted to a total of CHF 24 billion, practically the same level as in the year-back quarter. Research and development registered the largest increase in expenses, while the largest decrease was recorded in telecommunications, computer and information services.

Expenses under primary income (labour and investment income) fell by CHF 3 billion to CHF 29 billion. This decline was primarily driven by lower direct investment income in Switzerland. Expenses under secondary income (current transfers) came to CHF 14 billion, CHF 2 billion above the level of the year-back quarter, due mainly to higher foreign claim payments by reinsurance companies.

Net

The current account surplus totalled CHF 17 billion, thus remaining unchanged against the first quarter of 2018. It was calculated as the sum of all receipts (CHF 147 billion) minus the sum of all expenses (CHF 130 billion).

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Financial account

Net acquisition of financial assets

The assets side of the financial account registered a total net reduction of CHF 33 billion (Q1 2018: net reduction of CHF 10 billion). The main factor here was other investment, which recorded a net reduction of CHF 27 billion (Q1 2018: net reduction of CHF 41 billion). This was primarily due to the SNB reducing its foreign claims in connection with repo transactions. Direct investment, too, registered a net reduction amounting to CHF 11 billion (Q1 2018: net acquisition of CHF 13 billion), mainly owing to the fact that foreign-controlled parent companies in Switzerland reduced the equity capital of their non-resident subsidiaries. Portfolio investment and reserve assets posted a net acquisition of CHF 2 billion each (Q1 2018: net acquisition of CHF 14 billion and net acquisition of CHF 3 billion, respectively). In the case of portfolio investment, resident investors sold equity securities of non-resident issuers, but acquired debt securities to an even greater extent.

Net incurrence of liabilities

The liabilities side of the financial account registered a total net reduction of CHF 29 billion (Q1 2018: net reduction of CHF 24 billion). As on the assets side, other investment played a major role in this, recording a net reduction of CHF 20 billion (Q1 2018: net acquisition of CHF 15 billion), as the SNB decreased its foreign liabilities in connection with repo transactions. Direct investment contributed CHF 4 billion to the net reduction as a result of non-resident parent companies withdrawing funds in the form of equity capital from their resident subsidiaries (Q1 2018: net reduction of CHF 32 billion). A net reduction was also registered in portfolio investment. It amounted to CHF 5 billion (Q1 2018: net reduction of CHF 7 billion) and resulted from the sale of shares of resident issuers by non-resident investors.

Net

The financial account showed a negative balance of CHF 4 billion (Q1 2018: positive balance of CHF 14 billion). The balance 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. The financial account balance corresponds to the change in the net investment position resulting from cross-border investment.

Statistical difference

The statistical difference item includes all deviations which arise from errors and omissions in statistical surveys. It is calculated as the financial account balance minus the sum of the current account balance and the capital account balance.

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In the first quarter of 2019, the statistical difference amounted to CHF –21 billion (Q1 2018: CHF –2 billion). This negative balance suggests either that current account receipts or net incurrence of liabilities have been overestimated, or, alternatively, that current account expenses or net acquisition of financial assets have been underestimated.

International investment position

Assets

Stocks of assets climbed by a total of CHF 20 billion to CHF 4,805 billion compared with the previous quarter, owing to a sharp increase in prices on foreign stock exchanges. Valuation gains were recorded in portfolio investment and reserve assets. Portfolio investment stocks increased by CHF 49 billion to CHF 1,371 billion. Reserve assets were up by CHF 29 billion to CHF 805 billion. By contrast, stocks in direct investment decreased by CHF 29 billion to CHF 1,695 billion. Stocks of other investment receded by CHF 15 billion to CHF 840 billion, and stocks of derivatives by CHF 14 billion to CHF 93 billion.

Liabilities

Stocks of liabilities advanced by a total of CHF 94 billion to CHF 3,995 billion. As in the case of assets, this was mainly due to valuation gains as a result of the sharp increase in prices on the Swiss stock exchange. Portfolio investment accounted for all the valuation gains, which raised its stocks by CHF 116 billion to CHF 1,186 billion. Stocks in the other investment category fell by CHF 10 billion to CHF 1,186 billion, primarily as the result of transactions recorded in the financial account. Derivatives declined by CHF 12 billion to CHF 95 billion. Stocks of direct investment remained at a total of CHF 1,527 billion.

Net international investment position

Given that stocks of liabilities (up CHF 94 billion) showed a more pronounced increase than stocks of assets (up CHF 20 billion), the net international investment position fell by CHF 74 billion to CHF 810 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 shows 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 (e.g. reclassifications or other statistical changes), have an impact on capital stocks.

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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, *Table selection, International economic affairs*.

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SWISS BALANCE OF PAYMENTS – OVERVIEW

In CHF millions

	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1
Current account, net	16,791	22,088	16,513	15,182	17,216
Receipts	151,461	167,535	158,014	156,440	147,073
Expenses	134,670	145,447	141,501	141,259	129,858
Goods and services, net	21,468	19,482	16,978	19,071	22,715
Receipts	111,608	113,870	110,402	110,240	109,318
Expenses	90,139	94,388	93,424	91,169	86,603
Goods, net	16,018	14,713	11,047	14,841	15,902
Receipts	82,050	83,551	79,003	80,002	78,510
Foreign trade	76,245	78,333	74,140	75,049	73,586
Of which foreign trade total ¹	57,600	59,959	54,837	60,751	60,633
Of which non-monetary gold	15,232	14,030	15,055	10,068	8,968
Supplements to foreign trade ²	-3,167	-3,485	-3,015	-2,862	-3,462
Merchanting	8,972	8,704	7,878	7,816	8,386
Expenses	66,032	68,838	67,955	65,161	62,608
Foreign trade	67,346	70,436	69,047	66,145	64,153
Of which foreign trade total ¹	50,756	52,403	48,106	50,561	51,516
Of which non-monetary gold	14,055	15,399	19,071	12,958	10,172
Supplements to foreign trade ²	-1,314	-1,597	-1,092	-984	-1,545
Services, net	5,451	4,769	5,931	4,230	6,814
Receipts	29,558	30,318	31,400	30,237	30,808
Expenses	24,107	25,550	25,469	26,008	23,995
Primary income, net	-2,694	4,884	1,976	-1,395	-2,480
Receipts	29,710	43,470	36,411	34,848	27,016
Expenses	32,404	38,586	34,435	36,243	29,495
Labour income, net	-5,948	-5,952	-5,926	-5,895	-5,963
Receipts	604	604	604	604	604
Expenses	6,552	6,556	6,531	6,500	6,568
Investment income, net	3,254	10,836	7,902	4,500	3,484
Receipts	29,106	42,866	35,806	34,244	26,411
Expenses	25,852	32,030	27,904	29,744	22,928
Secondary income, net	-1,983	-2,278	-2,441	-2,494	-3,020
Receipts	10,143	10,195	11,201	11,353	10,740
Expenses	12,127	12,473	13,642	13,846	13,759
Capital account, net	-1,040	1,359	4,258	-3	173
Receipts	111	1,726	5,969	199	270
Expenses	1,151	367	1,711	202	98

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Financial account (excluding derivatives), net	13,123	899	37,471	20,972	-3,695
Net acquisition of financial assets	-10,380	-29,970	-17,917	8,975	-33,042
Net incurrence of liabilities	-23,504	-30,869	-55,388	-11,996	-29,347
Direct investment, net	44,570	15,871	26,906	24,268	-6,464
Net acquisition of financial assets	12,994	18,855	10,709	3,443	-10,678
Net incurrence of liabilities	-31,576	2,984	-16,197	-20,826	-4,214
Portfolio investment, net	21,610	-13,427	6,741	-5,145	6,981
Net acquisition of financial assets	14,349	-15,153	-500	-11,229	2,189
Net incurrence of liabilities	-7,261	-1,726	-7,241	-6,084	-4,791
Other investment, net	-56,235	-4,174	-1,057	-941	-6,493
Net acquisition of financial assets	-40,902	-36,301	-33,007	13,973	-26,835
Net incurrence of liabilities	15,333	-32,127	-31,950	14,913	-20,342
Reserve assets, net	3,179	2,629	4,882	2,789	2,281
Derivatives, net	616	908	-339	271	-314
Statistical difference	-2,012	-21,640	16,362	6,064	-21,398

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.

Source: SNB

SWITZERLAND'S INTERNATIONAL INVESTMENT POSITION – OVERVIEW

In CHF millions

	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1
Assets	4,834,176	4,869,174	4,794,024	4,784,826	4,804,701
Direct investment	1,701,211	1,733,056	1,720,840	1,724,643	1,695,298
Portfolio investment	1,364,090	1,366,429	1,357,221	1,321,571	1,370,958
Derivatives	90,126	98,940	98,790	106,779	92,663
Other investment	893,456	875,147	833,146	855,336	840,390
Reserve assets	785,293	795,602	784,027	776,498	805,392
Liabilities	4,013,693	4,014,588	3,979,346	3,900,667	3,994,588
Direct investment	1,558,276	1,569,513	1,546,578	1,527,097	1,526,988
Portfolio investment	1,113,280	1,111,898	1,152,225	1,070,345	1,186,009
Derivatives	93,277	105,199	101,441	107,511	95,432
Other investment	1,248,861	1,227,978	1,179,102	1,195,715	1,186,158
Net international investment position	820,483	854,586	814,678	884,159	810,114
Direct investment	142,935	163,543	174,262	197,546	168,310
Portfolio investment	250,811	254,531	204,996	251,226	184,949
Derivatives	-3,152	-6,258	-2,651	-732	-2,769
Other investment	-355,405	-352,831	-345,956	-340,380	-345,768
Reserve assets	785,293	795,602	784,027	776,498	805,392

Source: SNB