



Communications

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Swiss balance of payments and international investment position Q4 2019 and review of the year 2019

Key developments in 2019

The current account surplus for 2019 was CHF 86 billion, CHF 29 billion more than the previous year. This increase was principally due to growth in primary income (labour and investment income). In the year under review, receipts exceeded expenses by CHF 14 billion, whereas in the two previous years, expenses had significantly exceeded receipts. The main contributors to this development had been finance and holding companies, which had reported exceptionally high expenses for direct investment earnings in the two previous years. These expenses were significantly lower in the year under review. The receipts surplus in goods trade increased by CHF 7 billion to CHF 66 billion, chiefly due to higher goods exports according to the foreign trade statistics. The receipts surplus from trade in services, on the other hand, decreased by CHF 3 billion to CHF 18 billion. In secondary income (current transfers), the expenses surplus increased by CHF 2 billion to CHF 11 billion.

On the assets side of the financial account, reported transactions showed an overall net acquisition of CHF 32 billion in 2019 (2018: net reduction of CHF 66 billion). This development was mainly attributable to reserve assets and direct investment. As a result of the SNB's foreign currency purchases, reserve assets recorded a net acquisition of CHF 16 billion. Direct investment registered a net acquisition of financial assets of CHF 14 billion. Resident parent companies reinvested earnings and also increased their equity capital in their non-resident subsidiaries. Portfolio investment recorded a net reduction of CHF 2 billion, mainly because resident investors sold shares and units in collective investment schemes issued by non-residents. Other investment saw a net acquisition of financial assets of CHF 4 billion.



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The liabilities side of the financial account registered an overall net reduction of CHF 4 billion (2018: net reduction of CHF 134 billion). Transactions under direct investment and other investment were the main drivers here. Direct investment recorded a net reduction in liabilities of CHF 18 billion. This was primarily due to non-resident parent companies withdrawing equity capital from their resident subsidiaries. Offsetting this, non-resident parent companies reinvested earnings generated by their resident subsidiaries back into Switzerland. Other investment saw a net incurrence of liabilities of CHF 17 billion. Although the SNB reduced its liabilities towards non-residents, resident commercial banks increased their net liabilities towards non-residents. Portfolio investment registered a net reduction in liabilities of CHF 3 billion due to non-resident investors selling shares and long-term debt securities issued by residents.

The financial account balance stood at CHF 36 billion (2018: positive balance of CHF 71 billion).

The international investment position recorded an increase in stocks of both assets and liabilities in 2019. On both sides, this increase was largely a result of valuation gains due to higher stock market prices in Switzerland and abroad, although high 'other changes in volume' also contributed. The weaker euro and US dollar exchange rates against the Swiss franc had a dampening effect on the increase.

The other changes in volume were mainly attributable to the fact that certain capital stocks were statistically recorded for the first time. The effect of this was visible in direct investment, other investment, and portfolio investment.

Overall, assets were up CHF 260 billion to CHF 5,265 billion year-on-year and liabilities were CHF 324 billion higher, at CHF 4,453 billion. Since liabilities increased more strongly than assets, the net international investment position decreased by CHF 64 billion to CHF 812 billion.

Q4 2019

Overview

In the fourth quarter of 2019, the current account surplus was CHF 26 billion, CHF 11 billion more than in Q4 2018. The increase was primarily attributable to the higher receipts surplus in investment income and goods trade.

The transactions reported in the financial account showed a net acquisition of financial assets (CHF 40 billion) and a net incurrence of liabilities (CHF 19 billion) in Q4 2019. Direct investment was the main driver on both sides. Overall, the financial account reported a positive balance of CHF 21 billion.

In the fourth quarter of 2019, stocks in the international investment position increased compared to the previous quarter, on both the assets and the liabilities side. In both cases, the

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rise was due to multiple factors, notably the increase in connection with financial account transactions and valuation gains as a result of higher stock market prices in Switzerland and abroad. Countering this was the impact of exchange rate-related valuation losses caused by the weaker US dollar; these effects were mainly felt on the assets side, but they also influenced liabilities. Overall, assets increased by CHF 15 billion to CHF 5,265 billion. Liabilities were up by CHF 42 billion to CHF 4,453 billion. Since stocks of liabilities increased more strongly than stocks of assets, the net international investment position contracted by CHF 27 billion to CHF 812 billion.

Current account**Receipts**

At CHF 84 billion, receipts in the fourth quarter of 2019 from total goods trade exceeded the figure for Q4 2018 by CHF 2 billion. The increase was attributable to higher receipts from goods exports according to the foreign trade statistics; these rose owing to higher exports of non-monetary gold.

Receipts from foreign trade in services amounted to CHF 30 billion, down CHF 1 billion on Q4 2018. In particular, lower receipts were recorded in telecommunications, computer and information services, and business services.

At CHF 47 billion, receipts under primary income (labour and investment income) were CHF 4 billion lower than in Q4 2018. This was mainly due to lower earnings from direct investment abroad. As in Q4 2018, receipts under secondary income amounted to CHF 12 billion.

Expenses

Expenses for total goods trade were unchanged compared to Q4 2018, at CHF 66 billion.

Expenses for services imports amounted to CHF 26 billion, CHF 1 billion lower than in Q4 2018. The decrease was principally driven by licence fees.

Expenses under primary income (labour and investment income) fell by CHF 13 billion to CHF 40 billion, mainly due to lower earnings from direct investment in Switzerland. Earnings from finance and holding companies had been exceptionally high in Q4 2018. On the expenses side, too, secondary income remained unchanged, at CHF 15 billion.

Net

The current account surplus amounted to CHF 26 billion, a CHF 11 billion increase compared to Q4 2018. It is calculated as the sum of all receipts (CHF 173 billion) minus the sum of all expenses (CHF 147 billion).

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Financial account

Net acquisition of financial assets

The transactions on the assets side of the financial account recorded a net acquisition of CHF 40 billion overall in Q4 2019 (Q4 2018: net reduction of CHF 21 billion).

Direct investment played a major role in this, as it recorded a net acquisition of CHF 35 billion (Q4 2018: net reduction of CHF 20 billion). This acquisition concerned both equity capital abroad – which resident parent companies increased through new investment and the reinvestment of earnings – and intragroup lending.

Portfolio investment registered a net reduction of CHF 4 billion (Q4 2018: net reduction of CHF 10 billion). While resident investors purchased units in foreign collective investment schemes, they sold even greater volumes of shares and debt securities.

Other investment posted a net acquisition of CHF 10 billion (Q4 2018: net acquisition of CHF 7 billion). Reserve assets saw a net reduction of almost CHF 1 billion (Q4 2018: net acquisition of CHF 3 billion).

Net incurrence of liabilities

The transactions on the liabilities side of the financial account recorded a net incurrence of CHF 19 billion (Q4 2018: net reduction of CHF 41 billion).

As on the assets side, direct investment had the greatest impact, registering a net incurrence of CHF 14 billion (Q4 2018: net reduction of CHF 46 billion). This was mainly due to non-resident parent companies increasing their equity capital in their resident subsidiaries. A small net incurrence was also recorded for intragroup lending.

Other investment posted a net incurrence of liabilities of CHF 8 billion (Q4 2018: net incurrence of CHF 12 billion). This was due to resident commercial banks extending their liabilities towards non-resident banks (interbank business). Furthermore, resident finance companies increased lending to non-residents. This development was offset by the fact that the SNB reduced its liabilities towards non-residents.

Portfolio investment registered a net reduction of CHF 4 billion (Q4 2018: net reduction of CHF 6 billion). While non-resident investors purchased units in Swiss collective investment schemes, they sold even greater volumes of shares and debt securities.

Net

The financial account balance came to CHF 21 billion (Q4 2018: CHF positive balance of CHF 21 billion). The balance is calculated as the sum of all net acquisitions of financial 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.

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International investment position

Assets

Stocks of assets rose by a total of CHF 15 billion to CHF 5,265 billion compared to Q3 2019. This rise was due to the increase in connection with financial account transactions and also, in particular, to higher stock market prices on foreign exchanges. The weaker US dollar, on the other hand, dampened the rise. Direct investment increased by CHF 19 billion to CHF 1,928 billion, mainly due to the transactions. Portfolio investment stocks rose by CHF 24 billion to CHF 1,425 billion, largely as a result of the higher stock market prices. Other investment assets fell by CHF 8 billion to CHF 997 billion, and derivatives assets by CHF 14 billion to CHF 89 billion. Reserve assets decreased by CHF 6 billion to CHF 826 billion.

Liabilities

Stocks of liabilities rose by CHF 42 billion overall to CHF 4,453 billion. This was mainly due to significant valuation gains as a result of price rises on the Swiss stock exchange. These valuation gains were reflected in the portfolio investment figures where stocks of liabilities were up CHF 61 billion to CHF 1,294 billion. Direct investment liabilities increased by CHF 2 billion to CHF 1,758 billion. Other investment liabilities decreased by CHF 5 billion to CHF 1,213 billion. Derivatives declined by CHF 16 billion to CHF 88 billion.

Net international investment position

Given that stocks of liabilities (up CHF 42 billion) increased more strongly than stocks of assets (up CHF 15 billion), the net international investment position fell by CHF 27 billion to CHF 812 billion.

Remarks

The balance of payments (current account, capital account and financial account) records transactions between residents and non-residents during a specified period. The international investment position reports the cross-border stocks of financial assets of all institutional units on a specific reference date at the end of a period. Changes in assets and liabilities in the international investment position are the result, first, of transactions recorded in the financial account. Second, stocks are affected by revaluations (due to changes in prices or exchange rates) and other changes in volume (e.g. reclassifications or other statistical changes).

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.

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Comprehensive tables covering the balance of payments and the international investment position can be found on 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 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4
Current account, net	14,678	20,121	19,314	20,327	25,835
Receipts	175,023	151,908	166,510	167,813	173,378
Expenses	160,345	131,787	147,196	147,486	147,543
Goods and services, net	19,774	22,697	17,991	20,410	21,985
Receipts	112,803	109,969	113,255	118,290	114,477
Expenses	93,029	87,272	95,263	97,880	92,492
Goods, net	16,410	16,144	14,452	16,678	18,308
Receipts	82,121	79,311	83,449	88,044	84,309
Foreign trade	75,159	73,639	77,552	82,707	78,013
Of which foreign trade total ¹	60,819	60,679	61,418	59,846	60,342
Of which non-monetary gold	10,103	8,971	12,285	18,744	12,798
Supplements to foreign trade ²	-2,858	-3,492	-3,522	-3,643	-3,319
Merchanting	9,820	9,164	9,419	8,979	9,614
Expenses	65,711	63,168	68,997	71,365	66,001
Foreign trade	66,558	64,586	70,443	72,915	67,293
Of which foreign trade total ¹	50,586	51,659	51,959	50,497	50,865
Of which non-monetary gold	13,188	10,335	15,593	19,910	14,082
Supplements to foreign trade ²	-847	-1,418	-1,447	-1,550	-1,292
Services, net	3,364	6,553	3,539	3,731	3,677
Receipts	30,682	30,658	29,805	30,246	30,168
Expenses	27,318	24,104	26,266	26,514	26,491
Primary income, net	-2,303	329	3,978	2,847	6,634
Receipts	50,701	31,044	42,670	37,931	47,110
Expenses	53,005	30,715	38,692	35,084	40,476
Labour income, net	-5,896	-5,992	-6,103	-6,166	-6,149
Receipts	627	627	627	627	627
Expenses	6,523	6,619	6,730	6,793	6,776
Investment income, net	3,593	6,321	10,081	9,013	12,783
Receipts	50,074	30,417	42,043	37,304	46,483
Expenses	46,481	24,096	31,962	28,291	33,700
Secondary income, net	-2,793	-2,905	-2,655	-2,929	-2,784
Receipts	11,518	10,896	10,586	11,593	11,791
Expenses	14,312	13,801	13,241	14,522	14,575
Capital account, net	-84	36	127	-9,298	723
Receipts	194	141	210	194	3,069
Expenses	278	105	83	9,492	2,346

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Financial account (excluding derivatives), net	19,409	3,542	5,122	5,534	21,121
Net acquisition of financial assets	-21,421	-29,052	10,978	9,744	40,084
Net incurrence of liabilities	-40,829	-32,594	5,856	4,210	18,963
Direct investment, net	26,369	2,758	-2,137	10,782	21,232
Net acquisition of financial assets	-19,921	-7,897	-8,173	-5,040	35,465
Net incurrence of liabilities	-46,290	-10,655	-6,036	-15,822	14,233
Portfolio investment, net	-4,162	7,185	-10,846	4,811	-929
Net acquisition of financial assets	-10,354	2,450	-2,563	2,104	-4,488
Net incurrence of liabilities	-6,193	-4,735	8,283	-2,708	-3,560
Other investment, net	-5,587	-8,682	15,484	-21,769	1,419
Net acquisition of financial assets	6,066	-25,886	19,093	970	9,708
Net incurrence of liabilities	11,653	-17,204	3,609	22,740	8,290
Reserve assets, net	2,789	2,281	2,621	11,710	-600
Derivatives, net	1,504	603	241	-234	347
Statistical difference	6,319	-16,012	-14,078	-5,730	-5,089

- 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 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4
Assets	5,004,632	5,137,558	5,157,283	5,250,033	5,265,009
Direct investment	1,905,866	1,907,442	1,880,891	1,908,992	1,927,805
Portfolio investment	1,292,054	1,370,781	1,377,949	1,401,716	1,425,482
Derivatives	102,117	80,741	85,359	102,409	88,648
Other investment	928,097	973,202	1,001,708	1,004,457	996,665
Reserve assets	776,498	805,392	811,376	832,460	826,409
Liabilities	4,128,795	4,265,875	4,331,917	4,411,392	4,452,934
Direct investment	1,767,825	1,762,913	1,756,162	1,756,066	1,757,841
Portfolio investment	1,046,814	1,159,336	1,210,366	1,233,299	1,294,143
Derivatives	100,171	84,178	84,754	103,905	87,938
Other investment	1,213,986	1,259,447	1,280,635	1,318,123	1,313,012
Net international investment position	875,836	871,684	825,367	838,641	812,075
Direct investment	138,041	144,529	124,729	152,926	169,964
Portfolio investment	245,240	211,445	167,584	168,417	131,340
Derivatives	1,947	-3,437	605	-1,497	710
Other investment	-285,888	-286,245	-278,927	-313,666	-316,347
Reserve assets	776,498	805,392	811,376	832,460	826,409

Source: SNB