



Communications

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Direct Investment, 2019 edition

Swiss direct investment abroad

In 2019, companies domiciled in Switzerland withdrew more funds from subsidiaries abroad than they invested there. The net withdrawal of funds amounted to CHF 42 billion (2018: net investment of CHF 44 billion). The disinvestment was attributable to companies in the services sector: high withdrawals were recorded in intragroup lending by companies in the trade (CHF 27 billion) and ‘other services’ (CHF 17 billion) industry categories. Finance and holding companies withdrew CHF 20 billion from abroad, in particular by reducing their equity capital in foreign subsidiaries as part of corporate restructuring. Manufacturing companies – mainly from the ‘other manufacturing and construction’ category – effected net investment abroad of CHF 11 billion.

Disinvestment primarily affected subsidiaries in Europe (CHF 36 billion), with particularly high levels recorded at the holding locations of Luxembourg and Ireland. By contrast, Swiss companies expanded their investments in most other locations in Europe – mainly in Hungary, but also in the UK, Germany and Belgium. Outside Europe, withdrawals also exceeded investment in Central and South America (CHF 11 billion) and in Asia (CHF 8 billion), while North America and Africa were the only regions to record a net inflow of Swiss direct investment, at CHF 11 billion and CHF 3 billion respectively.

Stocks of direct investment abroad came to CHF 1,445 billion, of which equity capital accounted for CHF 1,355 billion (94%), and intragroup loans CHF 90 billion (6%). At CHF 580 billion (40%), by far the largest capital stocks abroad were reported by finance and holding companies, followed by the chemicals and plastics category at CHF 177 billion (12%).



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Income from direct investment abroad amounted to CHF 91 billion, below the previous year's level of CHF 102 billion. Lower income was recorded by subsidiaries in both manufacturing (down CHF 5 billion to CHF 42 billion) and services (down CHF 5 billion to CHF 50 billion).

Foreign direct investment in Switzerland

In 2019, as in 2018, investors abroad effected a net withdrawal of funds from companies in Switzerland. The withdrawal amounted to CHF 79 billion (2018: CHF 67 billion). High levels of disinvestment resulted from intragroup lending (CHF 50 billion), mainly due to corporate restructuring. Equity capital, too, was reduced as US parent companies continued to take advantage of the tax incentives in the Tax Cuts and Jobs Act to repatriate funds.¹ However, at CHF 47 billion, withdrawals of equity capital were substantially lower than in the previous year (CHF 108 billion). The only new investments made by foreign investors were in the form of reinvested earnings; these totalled CHF 18 billion. Withdrawals affected the services sector (CHF 81 billion), particularly finance and holding companies. Companies in the trade and 'other services' categories also registered outflows. By contrast, investors abroad expanded their net investments in manufacturing companies (CHF 3 billion).

Stocks of foreign direct investment in Switzerland totalled CHF 1,370 billion, of which equity capital accounted for CHF 1,358 billion (99%), and intragroup loans CHF 12 billion (1%). A breakdown by immediate investor shows that 83% of the capital stocks originated from EU investors and 6% from US investors. However, this breakdown does not fully convey the countries of origin of the ultimate beneficial owners in control of companies in Switzerland. This is because foreign direct investment stocks in Switzerland are largely held via intermediate companies controlled by groups headquartered in a third country. The SNB therefore publishes an alternative breakdown of capital stocks by country of origin of the ultimate beneficial owner. This breakdown shows that investors from the US and the EU controlled 48% and 28% of the capital stocks respectively.

Investment income from direct investment in Switzerland was below the previous year's level (down CHF 19 billion to CHF 98 billion). This was mainly attributable to lower income at finance and holding companies.

Operational data on multinational enterprises

The Swiss-controlled companies surveyed by the SNB controlled 19,580 subsidiaries abroad, where they employed 2,073,000 people and generated annual turnover of CHF 741 billion. The number of employees declined year-on-year by 54,000 (down 3%); turnover rose slightly by CHF 7 billion (up 1%). Companies with participations abroad are also significant

¹ Cf. *Direct Investment 2018* report, Tax reform in the United States, p. 11.

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employers in Switzerland. The corporate groups surveyed by the SNB employed a total of 547,000 people in Switzerland.

Changes

The *Direct Investment 2019* report includes an expanded data offering, with the SNB now also publishing a country breakdown for direct investment income. This corresponds in both investment directions to the breakdowns already published for stocks and transactions. For foreign direct investment in Switzerland, investment income is published, as in the case of capital stocks, by country of origin of both the immediate investor and the ultimate beneficial owner. Data on the country breakdown of direct investment income are available as of 2015.

A further expansion concerns the operational data on multinational enterprises. The SNB is now publishing the number of Swiss subsidiaries abroad and their turnover. These new variables offer significant potential for economic analysis. For instance, comparisons of staff numbers and turnover provide information as to the investment motives of multinational enterprises in a given country: Are the investments aimed at developing the market or exploiting cost advantages? Data on the new variables are available as of 2014.

Remarks

Comprehensive tables on direct investment and operational data for multinational enterprises are available on the SNB's data portal (data.snb.ch) under 'Table selection, International economic affairs'. The data can be accessed in the form of charts and configurable tables. The data portal also has information on the methods used in direct investment statistics, under 'International economic affairs, Notes'.

As in the past, publication of the *Direct Investment 2019* report goes hand-in-hand with a revision of the preceding years' figures. Revisions have been made in both investment directions: stocks for the period 2014–2018, and transactions and income for 2015–2018. The main reason was previously incomplete data on the corporate structures of foreign-controlled groups.

The staff numbers at parent companies in Switzerland are published by the Federal Statistical Office (SFSO) as part of their enterprise groups statistics (STAGRE). The SNB publishes the staff numbers of those parent companies in Switzerland that are included in its surveys.

Press release

DIRECT INVESTMENT 2019: OVERVIEW

		2018	2019
Swiss direct investment abroad			
Capital transactions	in CHF billions	43.7	-42.1
Capital stocks	in CHF billions	1 460.3	1 445.1
Investment income	in CHF billions	102.3	91.1
Foreign direct investment in Switzerland			
Capital transactions	in CHF billions	-66.9	-78.8
Capital stocks	in CHF billions	1 358.9	1 369.6
Investment income	in CHF billions	116.6	98.3
Operational data on Swiss subsidiaries abroad and their parent companies in Switzerland¹			
Number of staff at Swiss subsidiaries abroad	in thousands	2 127.2	2 072.9
Turnover of Swiss subsidiaries abroad	in CHF billions	733.7	740.7
Number of subsidiaries abroad		19 309	19 577
Number of staff at parent companies in Switzerland	in thousands	555.5	546.9

1 Only includes companies covered by the direct investment statistics.

Source: SNB

The report will be available from 11 December 2020 on the SNB website at [www.snb.ch/Statistics, Reports and press releases](http://www.snb.ch/Statistics,Reportsandpressreleases). The printed version may be obtained from the SNB from 18 December 2020.