

The Swiss balance of payments in 2001

Press release of 22 August 2002

Current account surplus down sharply

The weaker world economy had a clear impact on Switzerland's external economic relations in 2001. The current account surplus narrowed to Sfr 34 billion after having reached a record high of Sfr 52 billion in the previous year. Thus, for the first time since 1993, the current account surplus declined. This was mainly brought about by the steep decline in income from direct investment abroad. In relation to gross domestic product, the current account surplus amounted to a mere 8%, compared with 13% in the previous year.

Growth of nominal goods exports (special trade) slowed to 4% due to weaker demand from abroad; import growth even eased to 1%. The trade balance closed with a surplus of Sfr 2 billion, following a deficit of Sfr 2 billion in the previous year.

Trade in services suffered a clear setback due to the economic downturn and the effects of the terrorist attacks of 11 September. Tourism exports and services by insurance companies were particularly affected. The banks' receipts from financial services - the most important export product with regard to services trade - fell by 12% as a result of the stock market slump.

The surplus on the investment income account, which for many years has made the largest contribution to the current account surplus, plummeted by Sfr 14 billion to Sfr 30 billion. This strong contraction resulted from the lower income from direct investment, which fell as profits from participations abroad declined.

Financial flows contracted

In 2001, financial flows ebbed significantly in terms of volume compared with the previous year. Swiss direct investment abroad amounted to a mere Sfr 19 billion. In the previous year, the takeover boom had triggered capital outflows of Sfr 72 billion. The banks, which had undertaken strikingly high acquisitions in 2000, even reduced their investment abroad. Portfolio investment abroad almost doubled to Sfr 72 billion, whereas financial flows declined overall; capital flowed mainly into fixed-interest securities. The banks, in particular, invested heavily in bonds after having sold foreign debt instruments in the previous year.

Foreign direct investment in Switzerland dropped by more than half to Sfr 14 billion. The strong decline in foreign acquisitions in the manufacturing industry was the main reason for this result. Foreign portfolio investment in Switzerland dropped even more steeply from Sfr 18 billion to Sfr 3 billion. Investors switched from money market paper and equities to investment fund certificates.

A detailed comment on the Swiss balance of payments will be published at the end of September together with the Monthly Statistical Bulletin of the Swiss National Bank as well as at the beginning of October together with the publication "Die Volkswirtschaft" 10/2002. The comment on the Swiss balance of payments will also be available on the Internet.

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Information on the individual items

Current account

Goods trade

Nominal goods exports (special trade without precious metals, precious stones and gems as well as objets d'art and antiques) advanced by 4% to Sfr 132 billion, and imports expanded by 1% to Sfr 130 billion. In the previous year, double-digit growth rates had been achieved. Exports to the EU grew by 5% overall, those to the US declined by the same percentage rate. The trade balance closed with a surplus of just under Sfr 2 billion, following a deficit in the same amount in the previous year.

Services

In 2001, receipts from tourism fell for the first time since 1996. The economic slowdown, the strong Swiss franc and the events of autumn 2001 in the US resulted in a 3% decline in the number of overnight stays by foreign visitors. Swiss residents' expenditures for personal and business travel abroad stagnated at Sfr 11 billion. The surplus from tourism narrowed by half a billion Swiss francs.

Most other services exhibited a downward trend. Cross-border insurance business was decisively affected by last autumn's terrorist attacks. The banks' receipts from financial services declined significantly by 12% as a result of the weak financial markets.

Investment income

In 2001, the investment income account was characterised by lower income from direct investment and the declining interest rate level. Income from portfolio investment abroad stagnated at Sfr 25 billion. While dividend payments expanded due to the favourable business results achieved in the previous year, interest income contracted by 6% owing to the declining interest rate level. Income from Swiss direct investment abroad plunged from Sfr 43 billion to Sfr 26 billion. This was the result of deteriorated business results brought about by the cyclical downturn. Both receipts and expenses from the banks' interest business declined as well. Net interest income from other countries contracted again by almost Sfr 1 billion to Sfr 0.4 billion. With dividend payments to other countries increasing considerably, interest and dividend payments on foreign portfolio investment in Switzerland rose by 14%. Foreign direct investors were also affected by the sharp decline in business results of subsidiaries in Switzerland. Remittances to foreign direct investors dropped by 38% to Sfr 11 billion.

Financial account

Direct investment

In 2001, capital exports for direct investment abroad contracted from Sfr 72 billion to Sfr 19 billion. This was the first decline since 1995, mainly brought about by much fewer mergers and acquisitions. Retained profits (reinvested earnings), which are also classed as direct investment flows, turned negative for the first time since records began: they showed a negative result of one billion Swiss francs. The main reasons for this result were the losses by the financial sector on its participations in the US and Britain. The banks slashed their investment in participations abroad by one billion Swiss francs; in the year before, they had still exported capital to the amount of Sfr 31 billion. The insurance companies were the biggest exporters of capital in the service sector, accounting for Sfr 5 billion in investment. Direct investment in the industrial sector receded by two-thirds to Sfr 9 billion. Capital exports to the EU dropped from Sfr 26 billion to Sfr 2 billion. Direct investment in Britain, Ireland and Belgium, in particular, exhibited a steep decline. A total of Sfr 8 billion flowed to the US, as against Sfr 34 billion a year earlier. An amount of Sfr 5 billion was invested in the offshore financial centres of Central and South America, primarily by insurance and holding companies.

Capital imports for direct investment in Switzerland fell by more than half from Sfr 33 billion to Sfr 14 billion. Acquisitions and capital increases remained steady year-on-year. Retained profits, by contrast, were negative and led to a reduction in capital. Foreign investors withdrew Sfr 2 billion from the industrial sector. In the service sector, the same amount as in the previous year, Sfr 16 billion, was invested. The decline in foreign direct investment can mainly be attributed to lower capital imports from North America. They fell from Sfr 19 billion to half a billion Swiss francs. Direct investment from the EU changed only slightly from Sfr 13 billion to Sfr 12 billion. Of this, Sfr 8 billion came from the Netherlands, with the bulk having been invested in the telecommunications field.

Portfolio investment

At Sfr 72 billion, Swiss portfolio investment abroad attained an extraordinarily high level in 2001. One-third of total investment was accounted for by the banking sector, which had sold approximately Sfr 10 billion worth of bonds from its own holdings in the previous year. In contrast to the previous year, capital flowed mainly into fixed-interest securities. Equity securities were in considerably lower demand. As in the previous two years, the euro was the most important currency: more than half the funds were invested in euro denominated paper.

Foreign portfolio investment in Switzerland fell from Sfr 18 billion to Sfr 3 billion. The high level in 2000 had, however, been characterised by an exchange of shares in connection with the takeover of enterprises abroad. In the category debt instruments, purchases of money market paper compensated for bond sales. As regards investment in equity securities, a switch from shares to investment funds was observed. Shares to the amount of Sfr 5 billion were sold, while at the same time investment fund certificates totalling Sfr 8 billion were acquired.

Commercial bank lending

In 2001, the banks' foreign lending business (domestic offices) significantly decreased in volume after having expanded continuously in the past ten years. The reduction affected primarily interbank claims, which declined by Sfr 43 billion, and interbank liabilities, which diminished by Sfr 28 billion. This resulted in a net capital import of Sfr 19 billion.

Overview Swiss balance of payments in billions of Swiss francs^{1,*}

	1997	1998	1999	2000 revised	2001 provisional
I. Current account net	37.0	37.8	45.7	52.2	34.1
Goods net	-0.5	-2.3	-0.3	-4.2	-4.6
Special trade, net	2.0	2.2	1.0	-2.1	1.7
Exports	105.1	109.1	114.4	126.5	131.7
Imports	-103.1	-106.9	-113.4	-128.6	-130.1
Other trade, net	-2.5	-4.6	-1.3	-2.2	-6.3
Services net	18.9	19.6	21.6	25.6	24.2
Tourism, net	1.4	1.7	1.6	2.4	2.0
Receipts	11.5	11.6	11.8	13.1	12.7
Expenses	-10.1	-9.9	-10.2	-10.7	-10.7
Financial services, net	8.8	9.2	11.1	13.3	11.8
Receipts	8.8	10.0	12.0	14.6	12.9
Expenses	n/a	-0.7	-0.8	-1.3	-1.1
Other services, net	8.7	8.6	8.9	9.9	10.5
Labour income and investment income net	23.4	25.9	30.5	35.7	21.4
Labour income, net	-6.5	-6.4	-6.5	-7.8	-8.6
Receipts	1.5	1.6	1.6	1.7	1.9
Expenses	-8.1	-8.0	-8.1	-9.5	-10.5
Investment income, net	30.0	32.4	37.0	43.5	30.0
Receipts	49.3	65.0	73.6	101.4	82.1
Expenses	-19.4	-32.7	-36.7	-57.9	-52.0
Current transfers net	-4.9	-5.3	-6.2	-4.9	-6.9
II. Capital transfers net	-0.2	0.2	-0.8	-6.0	0.4
III. Financial account net	-37.3	-45.3	-49.6	-36.3	-48.8
Direct investment net	-16.1	-14.2	-32.4	-39.4	-5.1
Swiss direct investment abroad	-25.7	-27.2	-50.0	-72.2	-18.7
Equity capital	-13.5	-16.9	-23.8	-56.0	-18.4
Reinvested earnings	-9.9	-7.2	-18.3	-15.9	1.3
Other capital	-2.3	-3.1	-7.9	-0.3	-1.5
Foreign direct investment in Switzerland	9.6	13.0	17.6	32.7	13.5
Equity capital	6.0	5.1	7.6	19.9	14.2
Reinvested earnings	1.2	6.5	9.7	11.3	-0.7
Other capital	2.4	1.4	0.3	1.5	0.0
Portfolio investment net	-15.5	-6.7	-61.5	-19.9	-69.1
Swiss portfolio investment abroad	-28.6	-21.6	-70.4	-37.7	-72.3
Debt securities	-15.4	-17.9	-44.1	-3.4	-47.1
Bonds and notes	-17.1	-17.8	-39.8	-1.7	-39.3
Money market instruments	1.8	-0.1	-4.2	-1.6	-7.8
Equity securities	-13.3	-3.7	-26.3	-34.3	-25.2

	1997	1998	1999	2000 revised	2001 provisional
Foreign portfolio investment in Switzerland	13.1	14.9	8.9	17.8	3.2
Debt securities	3.0	2.3	0.6	2.5	0.1
Bonds and notes	3.0	2.3	0.5	2.3	-0.8
Money market instruments	n/a	n/a	0.1	0.2	0.9
Equity securities	10.1	12.5	8.2	15.3	3.1
Other investment net	-2.5	-23.2	41.5	16.4	26.5
Commercial bank lending, net	-1.2	-16.7	27.5	11.0	18.5
Claims abroad	-76.0	-66.0	-116.1	-140.4	46.5
Claims on banks	-68.3	-61.1	-106.4	-123.6	42.5
Other claims	-7.7	-4.8	-9.7	-16.8	4.0
Liabilities abroad	74.8	49.3	143.6	151.4	-27.9
Liabilities vis-à-vis banks	64.5	39.2	134.6	159.3	-29.1
Other liabilities	10.3	10.1	9.0	-7.8	1.2
Corporate lending ² , net	0.3	-5.4	3.1	-1.2	-8.9
Claims abroad	4.3	-14.4	2.0	-13.9	-11.5
Liabilities abroad	-4.0	9.0	1.1	12.8	2.6
Government lending, net	0.5	0.3	0.2	0.0	0.0
Other, net	-2.0	-1.4	10.7	6.5	16.8
International reserves total³	-3.1	-1.1	2.8	6.7	-1.1
Changes in foreign assets	-4.9	-0.2	-1.3	6.7	-1.1
Counterentry to valuation changes	1.8	-0.9	4.1	.	.
IV. Net errors and omissions	0.6	7.3	4.7	-9.9	14.3

1 The minus sign (-) indicates a surplus of imports over exports in the current account, and an export of capital in the other positions.

2 Intragroup lending is shown under direct investment.

3 Since 2000, flows have been shown in conformity with the current guidelines of the IMF. Until 1999, changes in holdings were shown according to the old standard. This required a counterentry for non-transaction-induced changes in foreign positions.

* Differences in aggregates, i. e. totals and sums of components, due to the rounding of figures.

n/a no data available

**Components of the current account 2000 and 2001 in billions of Swiss francs¹
and percentage change from previous year**

Components	2000r			2001 p			Percentage change	
	Receipts	Expenses	Net	Receipts	Expenses	Net	Receipts	Expenses
A. Goods	143.5	147.8	-4.2	145.9	150.6	-4.6	1.6%	1.9%
Special trade	126.5	128.6	-2.1	131.7	130.1	1.7	4.1%	1.1%
Electrical energy	1.9	1.5	0.5	3.0	1.9	1.1	52.4%	28.5%
Other goods	15.1	17.7	-2.6	11.2	18.6	-7.4	-25.4%	5.3%
B. Services	48.8	23.2	25.6	46.8	22.6	24.2	-4.1%	-2.5%
Tourism	13.1	10.7	2.4	12.7	10.7	2.0	-3.5%	0.0%
Private insurance	2.4	0.1	2.3	1.8	0.1	1.7	-26.4%	0.0%
Merchanting	1.4	-	1.4	1.4	-	1.4	-5.0%	-
Transportation	7.7	5.9	1.7	7.5	5.5	2.0	-2.3%	-7.8%
Postal services and telecommunications	1.5	1.5	0.0	1.3	1.5	-0.3	-13.4%	3.5%
Other services	22.6	4.9	17.7	22.2	4.7	17.5	-1.9%	-3.4%
<i>Financial services</i>	14.6	1.3	13.3	12.9	1.1	11.8	-11.9%	-16.9%
<i>Technological services</i>	4.8	3.3	1.6	5.5	3.3	2.2	13.7%	1.6%
<i>Other services</i>	3.2	0.3	2.8	3.8	0.3	3.5	20.1%	1.1%
C. Labour income and investment income	103.1	67.4	35.7	84.0	62.6	21.4	-18.5%	-7.1%
Labour income	1.7	9.5	-7.8	1.9	10.5	-8.6	13.6%	11.4%
Investment income	101.4	57.9	43.5	82.1	52.0	30.0	-19.1%	-10.1%
D. Current transfers	11.6	16.5	-4.9	16.3	23.2	-6.9	41.2%	40.6%
Private transfers	7.1	10.3	-3.3	11.9	16.8	-4.9	67.6%	62.2%
Public transfers	4.5	6.2	-1.7	4.5	6.5	-2.0	-0.4%	4.5%
Total (A+B+C+D)	307.0	254.8	52.2	293.0	258.9	34.1	-4.6%	1.6%

1 Differences in the totals are due to the rounding of figures r Revised p Provisional

Foreign direct investment in Switzerland: breakdown by country

	1997	1998	1999	2000 revised	2001 provisional
Capital imports¹ in millions of Swiss francs					
1. Europe and extra-European industrial countries	9629	11763	17459	31581	13137
EU	5927	5625	9224	12758	12347
of which					
Belgium	-4	-50	177	226	380
Denmark	21	27	-52	873	1884
Germany	2871	2715	2907	4023	-1449
France	517	-393	615	587	689
Italy	111	1584	476	1961	292
Luxembourg	1682	505	431	2852	1655
Netherlands	498	1612	-1183	330	7585
Austria	68	38	114	266	13
Sweden	165	75	-1	62	-17
Spain	18	-113	475	102	50
United Kingdom ²	-161	-378	5238	1350	1215
EFTA	2	0	3	30	-26
Other European countries	24	12	27	-2	8
of which					
Turkey	2	22	23	26	1
North America	3778	6509	9669	18876	472
Canada	-46	-55	-189	7832	-361
United States	3824	6564	9858	11044	833
Other extra-European industrial countries	-101	-383	-1464	-80	336
of which					
Japan	-326	-457	-1509	-37	336
2. NICs	-65	-10	-11	814	229
3. Developing countries	67	1211	155	346	160
Asia	32	-47	44	20	22
of which					
Israel	18	36	36	-8	14
Central and South America	33	1255	109	322	138
Africa	2	3	3	4	0
All countries	9631	12963	17603	32741	13525

1 The minus sign (-) indicates an outflow of capital from Switzerland (disinvestment).

2 Incl. Guernsey, Jersey and the Isle of Man.

Swiss direct investment abroad: breakdown by country

	1997	1998	1999	2000 revised	2001 provisional
Capital exports¹ in millions of Swiss francs					
1. Europe and extra-European industrial countries	21765	16090	38128	60917	12271
EU	12596	10154	21359	26141	2191
Belgium	-655	349	1179	4407	-602
Denmark	30	-31	280	-167	-92
Germany	4131	889	5799	-1170	5274
Finland	152	224	126	263	134
France	213	333	827	-1445	-1940
Greece	116	205	179	355	172
Ireland	317	-54	5446	1304	-4111
Italy	1134	-197	192	-222	1537
Luxembourg	-959	1651	-47	1133	1980
Netherlands	2752	1003	1716	3248	-457
Austria	343	344	515	100	263
Portugal	311	-69	561	1594	136
Sweden	632	844	-656	328	24
Spain	35	377	-545	97	1319
United Kingdom ²	4043	4287	5788	16315	-1446
EFTA	181	-93	362	-1208	204
Central and Eastern Europe	215	1175	1174	1095	894
of which					
Croatia	4	70	-44	16	20
Poland	173	208	473	586	123
Russian Federation	46	335	599	-7	169
Slovakia	13	21	38	13	-1
Czech Republic	-19	356	-64	183	231
Hungary	-35	-76	100	77	164
Other European countries	314	-449	744	571	192
of which					
Turkey	51	296	-95	-242	-124
North America	8058	4458	13640	34235	8696
Canada	368	1232	83	553	714
United States	7690	3226	13557	33682	7983
Other extra-European industrial countries	402	845	850	83	93
Australia	153	572	322	-268	-75
Japan	-203	124	628	336	92
New Zealand	298	11	-215	-3	9
South Africa	154	138	116	18	67

1 The minus sign (-) indicates a return flow of capital into Switzerland (disinvestment).

2 Incl. Guernsey, Jersey and the Isle of Man.

3 According to geonomenclature Eurostat: Bahamas, Barbados, Bermudas, British Virgin Islands, Jamaica, Cayman Islands, Montserrat, Netherlands Antilles, Panama, St. Kitts-Nevis.

	1997	1998	1999	2000 revised	2001 provisional
Capital exports¹ in millions of Swiss francs					
2. NICs	2176	6932	6244	2015	603
Asia	2383	5689	4949	838	1013
Hong Kong	236	447	665	-62	191
Korea (South)	-57	283	179	184	68
Malaysia	82	102	227	-25	22
Philippines	50	1169	57	313	30
Singapore	1879	3173	3811	222	442
Taiwan	45	121	92	160	49
Thailand	148	395	-82	46	212
Central and South America	-207	1243	1295	1177	-411
Argentina	-10	321	-103	48	52
Brazil	-338	446	844	246	-960
Chile	29	-178	17	-27	-155
Mexico	111	654	537	910	652
3. Developing countries	1793	4187	5614	9246	5777
Asia	629	441	-21	242	576
of which					
China (People's Republic)	255	123	-143	212	153
India	160	29	-59	-43	138
Indonesia	134	90	10	-22	151
Lebanon	2	-2	-13	-143	-12
Pakistan	34	-17	7	59	29
Saudi Arabia	43	-2	60	-83	-2
United Arab Emirates	12	11	19	76	56
Vietnam	21	-2	-18	-33	-15
Central and South America	935	3645	5343	8744	5272
of which					
Costa Rica	-1	-26	0	-17	9
Ecuador	27	10	20	23	52
Guatemala	60	-4	22	-97	-11
Colombia	34	387	115	-109	-90
Peru	158	-25	47	57	32
Uruguay	217	284	291	301	90
Venezuela	97	61	11	127	164
Offshore financial centres ³	236	2991	4703	8508	4899
Africa	230	102	293	259	-71
of which					
Egypt	92	57	93	11	43
Ivory Coast	16	51	-26	-47	-14
Morocco	32	-12	2	-30	-1
Nigeria	-9	5	-7	4	18
All countries	25734	27209	49986	72178	18651

Current account, net in billions of Swiss francs

Graph 1

- Current account
- Goods
- Services
- Income
- Transfers

