

Communications

P.O. Box, CH-8022 Zurich
Telephone +41 44 631 31 11
Fax +41 44 631 39 10

Zurich, 17 December 2009

Direct investment in 2008

Despite the financial crisis, direct investment recorded firm growth. Capital stock and staff numbers were again up, both for Swiss direct investment abroad and for foreign direct investment in Switzerland. However, banks suffered very heavy losses at their foreign subsidiaries due to the financial crisis. As a result, there was a sharp drop in direct investment income from abroad.

Direct investment abroad (capital outflows) decreased by CHF 68 billion to CHF 55 billion. This was attributable to reduced capital outflows on the part of finance and holding companies. By contrast, direct investment by other industries was up in most cases, by comparison with 2007. In the case of banks, the increase was due to the fact that they provided their subsidiaries abroad with additional equity. Increased capital outflows by manufacturing were intended for extensive acquisitions abroad. The main destinations of the outflows were the US and the offshore financial centres of Europe.

The capital stock in the subsidiaries of Swiss direct investors abroad rose by CHF 44 billion to CHF 809 billion. The increase was mainly due to capital outflows. Staff numbers in subsidiaries abroad also grew, by 94,000 to 2.44 million.

Income from direct investment abroad decreased from CHF 55 billion to CHF 8 billion. This was essentially attributable to the fact that banks suffered extremely high losses in their subsidiaries abroad, due to the financial crisis.

By comparison with other countries, Switzerland has relatively high levels of direct investment abroad. This is evident from the ratio of Swiss direct investment abroad to nominal gross domestic product (GDP), which was 149% at the end of 2008. In the Netherlands it amounted to 97%. In Ireland it was considerably lower, at 59%. In 1990, this ratio had only come to 26% for Switzerland. At that time it was below the Netherlands (36%) and Ireland (31%) (sources: Unctad, *World Investment Report 2009*).

17 December 2009

2

Foreign direct investment in Switzerland (capital inflows) came to CHF 6 billion. In 2007, it had been unusually high, at CHF 62 billion, due to acquisitions and reinvested income. In 2008, both acquisitions and reinvested income were considerably lower. In addition, disinvestment also reduced the figures for foreign direct investment. Investors from the EU, in particular, withdrew funds from Switzerland. However, direct investment from the US increased.

The stock of foreign direct investment in Switzerland rose by CHF 36 billion to CHF 467 billion. The greatest increase in capital stock was recorded by finance and holding companies. This was attributable, on the one hand, to capital inflows. On the other hand, the capital stock rose, due to the fact that companies transferred their headquarters to Switzerland. By country of origin of the ultimate beneficial owner, the capital stock of the EU rose by CHF 16 billion to CHF 210 billion, while that of the US was up by CHF 19 billion to CHF 138 billion.

Income earned on direct investment in Switzerland decreased by CHF 7 billion to CHF 47 billion. This applied for the manufacturing sector and the *insurance* category, in particular, while income in the *trade* category was up. As in 2007, finance and holding companies recorded an income of CHF 31 billion, most of which they transferred to their parent companies abroad. In 2007, they had reinvested the larger part of their income in Switzerland.

The total number of people working for foreign companies in Switzerland was 395,000, an increase of 16,000 as compared to the previous year. For the first time, information is available on the number of companies in Switzerland with foreign majority holdings. At the end of 2008, the number of such companies amounted to 8,537 (2007: 8,389), or 3% of all companies in Switzerland.

17 December 2009

3

Direct investment in 2008: Overview

		2007	2008	Change in percent
Swiss direct investment abroad¹				
Capital outflows	in CHF billions	67.9	55.4	-18.5
Capital stock	in CHF billions	764.6	808.6	5.7
Investment income	in CHF billions	55.2	8.1	-85.3
Number of staff	in thousands	2349.6	2443.6	4.0
Foreign direct investment in Switzerland¹				
Capital inflows	in CHF billions	62.0	5.5	-91.1
Capital stock	in CHF billions	431.3	467.1	8.3
Investment income	in CHF billions	53.6	46.8	-12.8
Number of staff ²	in thousands	378.6	395.0	4.3
Number of companies in Switzerland with foreign participation ^{2,3}		8389	8537	1.8

¹ In the statistics on direct investment, the Principality of Liechtenstein is included with the domestic data.

² Including companies not covered by the survey on direct investments since they are below the reporting limit.

³ Only majority holdings.

The *Direct Investment 2008* report is available from today on the SNB website, www.snb.ch, *Publications*. The printed version may be obtained from the Swiss National Bank from 29 December 2009. (Subscribers to the SNB's *Monthly Statistical Bulletin* will receive the report automatically.)

For further information, please contact Alexander Flühmann, Swiss National Bank, telephone +41 44 631 34 84