



Communications

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Zurich, 27 August 2015

Swiss balance of payments and international investment position 2014

Summary

The current account surplus in 2014 amounted to CHF 47 billion, CHF 24 billion less than in the previous year. This was predominantly due to a lower surplus in investment income, which receded by CHF 14 billion to CHF 17 billion. The surplus of receipts from trade in goods and services also declined compared to the previous year, by CHF 2 billion to CHF 68 billion. In addition, secondary income (current transfers) registered an increase in net expenses – up CHF 5 billion to CHF 17 billion.

The financial account recorded a surplus of CHF 54 billion. Net acquisition of financial assets amounted to CHF 28 billion (2013: CHF 115 billion), and was mainly attributable to a substantial net acquisition of reserve assets (CHF 34 billion). On the liabilities side of the financial account, by contrast, foreign investors sold more assets than they purchased, resulting in a net reduction of liabilities amounting to CHF 26 billion. This mainly affected commercial bank lending under the ‘other investment’ item.

The financial account surplus was the main contributory factor in the growth of the net international investment position by CHF 58 billion to CHF 768 billion. By contrast, neither statistical changes nor valuation changes related to stock price and exchange rate movements had a major impact on the net international investment position, since both assets and liabilities were affected in roughly equal measure. Stocks of assets increased by CHF 351 billion to CHF 4,246 billion. More than half of this increase was due to valuation changes driven by movements in stock prices and exchange rates, while around one-third resulted from statistical changes relating to the introduction of the new survey on cross-border capital linkages. The strongest rise on the assets side was recorded by direct investment, which grew by CHF 141 billion to CHF 1,447 billion, primarily as a result of the statistical changes.



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Stocks of liabilities were up CHF 293 billion to CHF 3,478 billion, despite foreign disinvestment. Half of the rise was attributable to valuation changes, and half to statistical changes. On the liabilities side, too, the largest increase was recorded by direct investment stocks (up CHF 172 billion to CHF 1,094 billion).

Current account

The receipts surplus from foreign trade in goods amounted to CHF 49 billion. According to the foreign trade statistics (foreign trade total 1 of the Federal Customs Administration), the receipts surplus grew by CHF 6 billion to CHF 30 billion. Exports rose by 4% while imports increased by 1%. Net receipts from merchanting expanded by CHF 2 billion to CHF 25 billion. As regards trade in non-monetary gold, exports and imports balanced each other out, following a net surplus of CHF 8 billion one year earlier.

The receipts surplus from trade in services declined year-on-year by CHF 2 billion to CHF 18 billion. Although receipts rose from CHF 106 billion to CHF 108 billion, expenses increased over the same period from CHF 86 billion to CHF 90 billion; there was variation across the different components. The main component of receipts – financial services – fell by 2%; receipts from licence fees were also down, by 4%. By contrast, tourism receipts recorded a rise of 3%, while receipts from business services were up by 7%. There was also growth in receipts for telecommunications, computer and information services, which were up 14%. The regional breakdown of services exports (excluding tourism), which was published for the first time, shows that the main recipient was the US, followed by Germany.

At CHF 90 billion, expenses for services imports exceeded the previous year's figure by CHF 4 billion. The main component – business services – rose by 6%, while tourism expenses were up 5%. The telecommunications, computer and information services category, and the financial services category, each saw expenses increase by 5% year-on-year. Expenses for transport, however, declined (by 3%). The regional breakdown of services expenses (excluding tourism) is similar to that for receipts: Most services were obtained from the US, followed once again by Germany.

As regards primary income (labour and capital income), in a change to the established pattern, expenses were higher than receipts. The result was an expenses surplus of CHF 4 billion, compared with a receipts surplus of CHF 12 billion in the previous year. Capital receipts from abroad rose by CHF 7 billion overall, to CHF 116 billion. The higher receipts stemmed from direct investment, portfolio investment and reserve assets. Income from foreign investment in Switzerland (expenses) recorded strong growth, rising by CHF 22 billion to CHF 99 billion. This was primarily due to higher income from direct investment (up CHF 19 billion). Expenses for portfolio investment also rose. The expenses surplus on labour income increased by CHF 1 billion to CHF 20 billion.

Secondary income recorded an expenses surplus of CHF 17 billion, a rise of CHF 5 billion compared to the previous year.

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Financial account

The net acquisition of financial assets amounted to CHF 28 billion in 2014, compared to CHF 115 billion one year earlier. Swiss companies invested CHF 15 billion abroad in the form of direct investment (2013: CHF 9 billion). In addition, domestic investors purchased foreign-issued securities in the amount of CHF 8 billion (2013: CHF 19 billion), predominantly equity securities. Reserve assets recorded a net acquisition of financial assets of CHF 34 billion. Other investment, by contrast, saw a net reduction of assets amounting to CHF 29 billion (2013: net acquisition of assets of CHF 73 billion), largely as a result of commercial banks reducing their lending to banks abroad.

On the liabilities side of the financial account, a net reduction of CHF 26 billion was recorded (2013: net acquisition of assets of CHF 12 billion). This reduction was mainly attributable to cross-border interbank business, which drove the CHF 48 billion net reduction in other investment (2013: net acquisition of CHF 30 billion). As regards direct investment, however, foreign companies invested CHF 20 billion in Swiss subsidiaries, following disinvestment in the amount of CHF 21 billion one year earlier.

International investment position

In the international investment position, stocks of foreign assets increased by CHF 351 billion to CHF 4,246 billion compared to the previous year. More than half of this increase was due to valuation changes driven by movements in stock prices and exchange rates, while around one-third resulted from statistical changes relating to the introduction of the new survey on cross-border capital linkages. The strongest rise was recorded by direct investment, which grew by CHF 141 billion to CHF 1,447 billion as a result of both purchases and statistical changes. Portfolio investment stocks increased by CHF 82 billion to CHF 1,240 billion, mainly due to valuation changes. Derivatives and other investment also recorded growth.

Stocks of foreign liabilities were up by CHF 293 billion to CHF 3,478 billion. Half of the increase was attributable to valuation changes, and half to statistical changes. On the liabilities side, too, the largest increase was recorded by direct investment stocks, which were up by CHF 172 billion to CHF 1,094 billion. Stocks of portfolio investment also grew (by CHF 117 billion to CHF 1,144 billion), as did stocks of derivatives (up CHF 47 billion to CHF 147 billion). Other investment declined by CHF 43 billion to CHF 1,093 billion.

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Swiss balance of payments – overview

In CHF millions

	2010	2011	2012	2013	2014
Current account, net	89,935	47,369	64,346	70,776	46,909
Receipts	543,706	528,787	561,660	597,421	562,539
Expenses	453,770	481,419	497,314	526,644	515,630
Goods and services, net	62,293	48,167	59,296	70,300	67,788
Receipts	386,851	402,450	414,290	452,451	408,586
Expenses	324,558	354,283	354,994	382,150	340,798
Goods, net	35,659	26,111	37,789	49,931	49,499
Receipts	288,010	306,872	311,952	346,436	300,117
Foreign trade of which					
foreign trade total ¹	267,576	286,460	292,958	332,137	285,179
non-monetary gold	193,480	197,907	200,612	201,213	208,357
Supplements to foreign trade ²	63,008	76,330	79,379	117,679	64,970
Merchanting	-7,281	-7,189	-7,920	-9,047	-10,181
Expenses	27,715	27,601	26,914	23,345	25,120
Foreign trade of which					
foreign trade total ¹	252,350	280,761	274,164	296,505	250,618
non-monetary gold	256,240	283,972	277,544	298,394	252,505
Supplements to foreign trade ²	173,991	174,388	176,781	177,642	178,605
Services, net	26,634	22,056	21,507	20,369	18,289
Receipts	98,841	95,578	102,337	106,015	108,469
Expenses	72,208	73,522	80,830	85,646	90,180
Primary income, net	36,723	7,028	13,218	12,169	-3,919
Receipts	130,070	97,704	113,390	110,981	118,090
Expenses	93,347	90,675	100,172	98,812	122,009
Labour income, net	-14,965	-16,802	-18,331	-19,321	-20,450
Receipts	2,596	2,318	2,265	2,259	2,150
Expenses	17,561	19,120	20,596	21,580	22,600
Investment income, net	51,688	23,830	31,548	31,490	16,531
Receipts	127,474	95,385	111,124	108,722	115,940
Expenses	75,786	71,555	79,576	77,232	99,409
Secondary income, net	-9,081	-7,827	-8,167	-11,693	-16,960
Receipts	26,784	28,634	33,980	33,989	35,863
Expenses	35,865	36,461	42,148	45,682	52,823
Capital transfers, net	-4,641	-8,407	-2,203	675	-10,108
Receipts	359	483	345	1,694	445
Expenses	5,000	8,890	2,548	1,019	10,553

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Financial account (excluding derivatives), net	114,428	28,230	89,110	102,302	54,225
Net acquisition of financial assets	166,790	86,649	200,512	114,679	28,145
Net incurrence of liabilities	52,363	58,419	111,402	12,376	-26,079
Direct investment, net	58,723	17,500	25,616	30,397	-4,688
Net acquisition of financial assets	76,979	39,186	49,858	9,490	15,389
Net incurrence of liabilities	18,256	21,686	24,242	-20,907	20,077
Portfolio investment, net	-32,522	12,810	-16,896	15,770	6,172
Net acquisition of financial assets	-8,251	-6,992	-4,490	19,337	7,888
Net incurrence of liabilities	24,271	-19,802	12,407	3,567	1,716
Other investment, net	-49,574	-44,708	-94,200	43,194	18,780
Net acquisition of financial assets	-39,740	11,827	-19,446	72,909	-29,093
Net incurrence of liabilities	9,835	56,535	74,754	29,716	-47,872
Reserve assets, net	137,802	42,628	174,591	12,943	33,961
Derivatives, net	257	-491	-1,485	-779	-143
Statistical difference	29,391	-11,223	25,482	30,072	17,281

¹ Foreign trade according to Federal Customs Administration (FCA).

² Additions: Unchecked goods trade, small consignments, goods procured in ports. Subtractions: Manufacturing services on physical inputs, returned goods, CIF/FOB adjustment on imports.

Switzerland's international investment position – overview

In CHF millions

	2010	2011	2012	2013	2014
Assets	3,472,518	3,607,415	3,861,173	3,894,734	4,246,125
Direct investment	1,206,171	1,284,229	1,350,943	1,306,295	1,447,024
Portfolio investment	1,090,109	1,054,714	1,123,427	1,158,151	1,239,877
Derivatives	135,726	151,741	128,297	105,012	149,445
Other investment	788,067	805,338	773,505	847,911	868,578
Reserve assets	252,446	311,394	485,001	477,364	541,201
Liabilities	2,679,330	2,774,412	3,069,747	3,184,613	3,477,782
Direct investment	835,018	919,134	962,905	921,662	1,093,959
Portfolio investment	728,329	655,725	869,385	1,026,491	1,143,792
Derivatives	134,538	155,083	126,088	100,268	147,485
Other investment	981,446	1,044,470	1,111,369	1,136,192	1,092,546
Net international investment position	793,188	833,003	791,426	710,121	768,343
Direct investment	371,153	365,095	388,037	384,633	353,065
Portfolio investment	361,781	398,989	254,042	131,661	96,085
Derivatives	1,188	-3,343	2,209	4,744	1,960
Other investment	-193,380	-239,133	-337,864	-288,282	-223,968
Reserve assets	252,446	311,394	485,001	477,364	541,201

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Innovations

For the first time, the Swiss National Bank (SNB) is publishing the comments on the balance of payments and the international investment position in a combined annual report. This reflects the fact that the two sets of statistics are closely related.

The comments on the 2014 balance of payments and international investment position will, as hitherto, be available both in printed form and on the SNB website. The tables, methodological basis and explanatory notes – which were previously in the appendix to the report – will be removed from the print version and will appear for the first time on the SNB's new data portal, data.snb.ch. The data can now be accessed using interactive web tables.

Moreover, the 2014 balance of payments and international investment position feature two major innovations. First, since the first quarter of 2014, Switzerland's balance of payments and international investment position have been compiled according to the international standards of the IMF's *Balance of Payments and International Investment Position Manual*, 6th Edition. Among other things, this has resulted in changes to the terminology for some balance sheet items. The main changes are listed in the *Monthly Statistical Bulletin* for June 2014, and the new standards are now applied for the first time in the annual reporting.

Second, since the fourth quarter of 2014, the balance of payments and international investment position contain the complete results of the revised quarterly survey on cross-border capital linkages. The SNB conducts this survey at 560 companies (groups) in Switzerland. The survey enables, in particular, improved recording of direct investment loans. In addition, it now also covers intragroup lending by insurance companies, thereby closing a statistical gap. Both changes primarily impact stocks in the international investment position, whereas the current account and the financial account are affected only marginally. Thus, for 2014, around one-third of the increase in assets and liabilities can be ascribed to this statistical effect.

Gold trade

At the end of the 2014 report on the balance of payments and international investment position, there is a special report on the gold trade. It discusses gold imports and exports by gold trading countries in 2013, and describes the Swiss players in the gold business. It also looks at changes in Swiss gold imports and exports between 1984 and 2014, and analyses investor behaviour following the onset of the financial crisis. Finally, the report describes how the gold trade has been reported in the balance of payments to date, and the impact of changes in reporting practice.