

Communications

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Zurich, 22 December 2017

Swiss balance of payments and international investment position Q3 2017

Overview

In the third quarter of 2017, the current account surplus amounted to CHF 13 billion, a decline of CHF 2 billion on the year-back quarter. This was due to the lower receipts surplus in goods and services trade. Moreover, the expenses surplus in secondary income (current transfers) increased. By contrast, primary income (labour and investment income) saw a receipts surplus, following an expenses surplus in the corresponding quarter of 2016.

The financial account recorded a net reduction of financial assets (CHF 34 billion) and a net reduction of liabilities (CHF 39 billion) in the third quarter of 2017. This development was mainly attributable to direct investment: Foreign-controlled finance and holding companies sold subsidiaries abroad, while their investors withdrew capital from Switzerland. Overall, the financial account, including derivatives, reported a positive balance of CHF 5 billion.

In the international investment position, stocks of assets increased by CHF 111 billion to CHF 4,693 billion in the third quarter of 2017. This rise was largely the result of exchange rate gains, as the euro and the US dollar appreciated against the Swiss franc. Stocks of liabilities grew by CHF 36 billion to CHF 3,865 billion, owing to valuation changes. These were primarily due to exchange rate movements and price rises on the Swiss stock market. The net international investment position increased by CHF 76 billion to CHF 829 billion overall.

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Current account

Receipts

At CHF 74 billion, receipts from total goods trade were down by CHF 3 billion from the year-back quarter. The decrease was mainly attributable to lower receipts from non-monetary gold trading, which receded by CHF 8 billion to CHF 13 billion. By contrast, net receipts from merchanting expanded by CHF 2 billion to CHF 6 billion. Receipts from goods exports according to the foreign trade statistics (total 1) increased as well, by CHF 1 billion to CHF 53 billion.

Receipts from foreign trade in services, at CHF 30 billion, were up CHF 1 billion from the year-back quarter. The main contributors to this increase were licence fees and transport.

Receipts from primary income (labour and investment income) rose by CHF 1 billion year-on-year to CHF 34 billion. Receipts both from direct investment and portfolio investment abroad edged up. Receipts from secondary income (current transfers) advanced by CHF 2 billion to CHF 12 billion.

Expenses

Expenses for total goods trade amounted to CHF 65 billion, a CHF 2 billion rise from the year-back quarter. This was due to expenses for goods imports according to the foreign trade statistics (total 1), which grew by CHF 2 billion to CHF 45 billion. The largest rise was recorded in chemical and pharmaceutical products as well as machinery and electronics. Expenses for non-monetary gold trading remained unchanged at CHF 19 billion.

Expenses for services imports came to CHF 25 billion, up CHF 1 billion from the year-back quarter. This increase was chiefly driven by telecommunications, computer and information services, and business services.

Expenses for primary income (labour and investment income) amounted to CHF 29 billion, a decline of CHF 5 billion from the year-back quarter. This development resulted from lower income earned on foreign direct investment in Switzerland, with reinvestment of earnings, in particular, suffering a drop. Expenses for secondary income (current transfers) rose by CHF 4 billion to CHF 17 billion, as natural disasters led to reinsurers making large claims payments abroad.

Net

The current account surplus amounted to CHF 13 billion, a CHF 2 billion reduction year-on-year. It was calculated as the sum of all receipts (CHF 149 billion) minus the sum of all expenses (CHF 136 billion).

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Financial account

Net acquisition of financial assets

Overall, the assets side of the financial account registered a net reduction of CHF 34 billion (Q3 2016: net acquisition of CHF 68 billion), with direct investment accounting for the largest net reduction, i.e. CHF 24 billion (Q3 2016: net acquisition of CHF 29 billion). This was due to foreign-controlled finance and holding companies selling subsidiaries abroad. Other investment also saw a net reduction, of CHF 11 billion (Q3 2016: net acquisition of CHF 25 billion), primarily as a result of commercial banks in Switzerland scaling back their claims against non-resident banks. Portfolio investment recorded a net reduction of CHF 3 billion, as resident investors sold shares and short-term debt securities issued by non-residents. In the year-back quarter, purchases and sales had been on a par. Reserve assets recorded a net acquisition of CHF 4 billion (Q3 2016: net acquisition of CHF 15 billion).

Net incurrence of liabilities

Overall, the liabilities side of the financial account saw a net reduction of CHF 39 billion (Q3 2016: net incurrence of CHF 33 billion). Direct investment recorded a net reduction of CHF 36 billion (Q3 2016: net incurrence of CHF 14 billion), since non-resident investors withdrew capital from finance and holding companies. As in the year-back quarter, portfolio investment registered a net reduction of CHF 3 billion, with non-resident investors selling mainly shares. Transactions in other investment were largely balanced (Q3 2016: net incurrence of CHF 22 billion): While commercial banks reduced their liabilities towards non-resident banks and customers, the SNB's liabilities abroad increased.

Net

The financial account balance came to CHF 5 billion (Q3 2016: CHF 37 billion). This is calculated as the sum of all net acquisitions of assets minus the sum of all net incurrence of liabilities plus the balance from derivatives transactions. This positive financial account balance corresponds to the increase in the net international investment position resulting from cross-border investment.

Switzerland's international investment position

Foreign assets

Stocks of foreign assets were up CHF 111 billion on the previous quarter to CHF 4,693 billion, owing to substantial valuation changes. As the bulk of the assets is held in foreign currency, the appreciation of the euro and the US dollar against the Swiss franc resulted in significant exchange rate gains. In addition, capital gains on the back of higher stock market prices abroad also contributed to the increase. Stocks of portfolio investment grew by

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CHF 45 billion to CHF 1,347 billion. Reserve assets registered a CHF 33 billion increase to CHF 772 billion. Stocks of direct investment and other investment rose by CHF 20 billion to CHF 1,644 billion and by CHF 17 billion to CHF 845 billion respectively. By contrast, stocks of derivatives declined by CHF 3 billion to CHF 86 billion.

Foreign liabilities

Stocks of foreign liabilities rose by CHF 36 billion to CHF 3,865 billion compared to the previous quarter. This was mainly the result of valuation changes due to higher stock market prices in Switzerland, as well as exchange rate gains on liabilities denominated in foreign currency. Stocks of portfolio investment expanded by CHF 33 billion to CHF 1,147 billion, and stocks of other investment rose by CHF 18 billion to CHF 1,196 billion. Stocks of direct investment, by contrast, declined by CHF 14 billion to CHF 1,435 billion. Stocks of derivatives were down CHF 2 billion to CHF 87 billion.

Net international investment position

The net international investment position increased by CHF 76 billion to CHF 829 billion compared with the previous quarter, since foreign assets (up CHF 111 billion) advanced more strongly than foreign liabilities (up CHF 36 billion).

Remarks

The balance of payments (current account and financial account) covers Switzerland's cross-border transactions with other countries over a given period. The international investment position indicates the stocks of Switzerland's foreign financial assets (claims) and liabilities abroad at the end of this period. Changes in assets and liabilities in the international investment position are the result, first, of transactions recorded in the financial account. Second, capital gains and losses resulting from stock market and exchange rate movements, as well as other changes in stocks, have an impact on capital stocks.

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.

For comprehensive tables covering the balance of payments and the international investment position, cf. 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

	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3
Current account, net	15,503	21,826	12,063	18,722	13,030
Receipts	148,893	164,972	146,320	155,737	149,496
Expenses	133,390	143,146	134,258	137,015	136,467
Goods and services, net	18,790	18,961	14,558	17,963	12,897
Receipts	106,044	116,085	103,796	107,359	103,509
Expenses	87,254	97,123	89,239	89,396	90,612
Goods, net	13,991	13,943	9,248	13,795	8,323
Receipts	77,025	83,390	74,900	78,084	73,555
Foreign trade of which	75,365	80,684	71,516	75,065	69,624
Foreign trade total ¹	52,468	53,032	55,078	54,616	53,438
Non-monetary gold	20,912	24,946	13,596	17,993	13,343
Supplements to foreign trade ²	-3,005	-2,748	-3,015	-2,746	-2,507
Merchanting	4,666	5,454	6,399	5,764	6,439
Expenses	63,033	69,448	65,652	64,289	65,232
Foreign trade of which	64,048	70,300	66,700	65,177	65,859
Foreign trade total ¹	42,581	44,454	44,242	46,587	44,876
Non-monetary gold	19,058	23,499	19,875	16,170	18,604
Supplements to foreign trade ²	-1,014	-852	-1,048	-888	-627
Services, net	4,799	5,019	5,310	4,168	4,573
Receipts	29,019	32,694	28,896	29,275	29,954
Expenses	24,221	27,676	23,587	25,107	25,380
Primary income, net	-1,261	4,339	-690	3,054	4,487
Receipts	32,405	38,241	31,680	37,560	33,599
Expenses	33,666	33,902	32,371	34,506	29,112
Labour income, net	-5,886	-5,941	-5,962	-6,031	-6,062
Receipts	615	615	615	615	615
Expenses	6,501	6,556	6,577	6,646	6,677
Investment income, net	4,624	10,280	5,272	9,085	10,548
Receipts	31,790	37,626	31,065	36,945	32,984
Expenses	27,165	27,347	25,794	27,859	22,436
Secondary income, net	-2,026	-1,475	-1,805	-2,294	-4,353
Receipts	10,444	10,646	10,843	10,819	12,388
Expenses	12,470	12,121	12,648	13,113	16,742
Capital account, net	150	2,673	50	164	94
Receipts	303	2,879	190	299	206
Expenses	153	205	140	135	112

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Financial account (excluding derivatives), net	35,027	29,936	18,000	18,331	5,037
Net acquisition of financial assets	68,241	44,822	31,553	56,536	-33,516
Net incurrence of liabilities	33,214	14,886	13,553	38,205	-38,553
Direct investment, net	15,001	3,973	6,417	-57,106	11,913
Net acquisition of financial assets	28,938	11,647	21,641	-11,883	-23,592
Net incurrence of liabilities	13,936	7,673	15,224	45,223	-35,505
Portfolio investment, net	2,344	9,273	5,056	28,804	38
Net acquisition of financial assets	-315	-1,177	3,829	-554	-2,738
Net incurrence of liabilities	-2,659	-10,450	-1,226	-29,358	-2,776
Other investment, net	3,157	-4,348	-29,098	27,608	-10,686
Net acquisition of financial assets	25,094	13,315	-29,543	49,948	-10,958
Net incurrence of liabilities	21,937	17,662	-445	22,340	-272
Reserve assets, net	14,525	21,038	35,626	19,025	3,772
Derivatives, net	1,546	3,634	-244	-1,499	-412
Statistical difference	20,921	9,071	5,643	-2,054	-8,499

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.

SWITZERLAND'S INTERNATIONAL INVESTMENT POSITION – OVERVIEW

In CHF millions

	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3
Assets	4,425,693	4,547,699	4,567,339	4,582,024	4,693,424
Direct investment	1,571,846	1,615,802	1,623,561	1,624,666	1,644,293
Portfolio investment	1,261,420	1,283,590	1,310,301	1,301,357	1,346,450
Derivatives	102,842	113,021	89,526	88,841	85,469
Other investment	812,944	844,789	813,137	828,011	845,130
Reserve assets	676,641	690,497	730,815	739,149	772,082
Liabilities	3,628,627	3,764,847	3,796,887	3,829,030	3,864,618
Direct investment	1,300,627	1,400,988	1,401,757	1,448,693	1,435,025
Portfolio investment	1,056,681	1,062,345	1,125,294	1,114,038	1,147,212
Derivatives	100,660	112,242	89,870	88,736	86,770
Other investment	1,170,659	1,189,272	1,179,965	1,177,564	1,195,612
Net international investment position	797,066	782,852	770,452	752,994	828,806
Direct investment	271,219	214,814	221,804	175,974	209,269
Portfolio investment	204,739	221,246	185,006	187,319	199,238
Derivatives	2,182	779	-345	105	-1,301
Other investment	-357,715	-344,483	-366,828	-349,553	-350,482
Reserve assets	676,641	690,497	730,815	739,149	772,082