



**Communications**

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## Swiss balance of payments and international investment position

### Q2 2019

#### Overview

In the second quarter of 2019, the current account surplus amounted to CHF 21 billion, slightly lower than in the same quarter of 2018. The goods trade balance and the primary income balance (labour and investment income) declined marginally, while the services trade balance and the secondary income balance (current transfers) hardly changed.

In the financial account, reported transactions showed a net acquisition on the assets side (CHF 11 billion) and a net incurrence on the liabilities side (CHF 5 billion). The main contributor to the net acquisition on the assets side was other investment, while in the case of the net incurrence on the liabilities side it was portfolio investment.

Two opposing effects drove developments in the international investment position. On the one hand, valuation gains resulted from price increases on domestic and foreign stock exchanges; on the other, exchange rate-related valuation losses were recorded. On the assets side, revaluations largely offset each other, and stocks rose by CHF 6 billion to CHF 4,804 billion. On the liabilities side, price-related valuation gains predominated. Stocks of liabilities were up CHF 30 billion to CHF 4,008 billion. As a result, the net international investment position receded by CHF 24 billion to CHF 796 billion.

#### New data available on breakdown of changes in stocks in the international investment position

The SNB has expanded its range of data on Switzerland's international investment position (IIP). In addition to publishing information on the stocks in the IIP at specific times, it now also provides data on changes to the IIP broken down according to their causes. The data are



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now available on the SNB data portal ([data.snb.ch](https://data.snb.ch), *Table selection, International economic affairs, Switzerland's foreign economic affairs, Switzerland's international investment position*).

## Current account

### Receipts

At CHF 83 billion, receipts from total goods trade were slightly lower compared to the year-back quarter. Whereas receipts according to the foreign trade statistics (total 1) rose by CHF 1 billion to CHF 62 billion, exports of non-monetary gold fell by CHF 2 billion to CHF 12 billion. At CHF 9 billion, receipts from merchanting remained on a par with the year-back quarter.

Receipts from foreign trade in services were the same as in the year-back quarter at CHF 31 billion. A slight increase in tourism receipts was offset by a decrease in receipts from licence fees.

At CHF 40 billion, receipts under primary income (labour and investment income) were down by CHF 4 billion on the year-back quarter. This was primarily attributable to lower earnings from direct investment abroad. Receipts under secondary income (current transfers) amounted to CHF 11 billion, a CHF 1 billion increase over the year-back quarter. This was predominantly due to higher claim payments to reinsurance companies in Switzerland for loss events they had reinsured abroad.

### Expenses

Expenses for total goods trade amounted to CHF 69 billion – the same as in the year-back quarter. Expenses according to the foreign trade statistics (total 1) fell by CHF 1 billion to just under CHF 52 billion, offsetting the other components.

Expenses for total services imports, at CHF 26 billion, were at the same level as in the year-back quarter. The highest growth in expenses was recorded in business services, whereas the most pronounced decrease was in telecommunications, computer and information services.

Expenses under primary income (labour and investment income) fell by CHF 4 billion to CHF 35 billion. This was mainly due to lower earnings from direct investment in Switzerland. Expenses under secondary income (current transfers) came to CHF 13 billion, around CHF 1 billion above the level of the year-back quarter, mainly as a result of higher foreign claim payments by reinsurance companies.

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## Net

The current account surplus totalled CHF 21 billion, slightly lower than in the second quarter of 2018. It was calculated as the sum of all receipts (CHF 164 billion) minus the sum of all expenses (CHF 143 billion).

## Financial account

### Net acquisition of financial assets

The assets side of the financial account registered a total net acquisition of CHF 11 billion (Q2 2018: net reduction of CHF 30 billion). Other investment contributed CHF 7 billion to this net acquisition (Q2 2018: net reduction of CHF 36 billion), in part because the SNB increased its foreign claims in connection with repo transactions. Direct investment saw a net acquisition of CHF 3 billion (Q2 2018: net acquisition of CHF 19 billion). Resident companies reinvested earnings in their non-resident subsidiaries, although they also withdrew equity capital, albeit to a lesser extent. Reserve assets also posted a net acquisition, of CHF 3 billion (Q2 2018: net acquisition of CHF 3 billion). Portfolio investment, by contrast, showed a net reduction of CHF 2 billion (Q2 2018: net reduction of CHF 15 billion), mainly because resident investors sold equity securities of non-resident issuers.

### Net incurrence of liabilities

The liabilities side of the financial account registered a total net incurrence of CHF 5 billion (Q2 2018: net reduction of CHF 31 billion), partly as a result of portfolio investment. Non-resident investors bought equities of resident issuers amounting to CHF 9 billion (Q2 2018: net reduction of CHF 2 billion). Direct investment registered a net reduction of CHF 4 billion (Q2 2018: net incurrence of CHF 3 billion). As in previous quarters, non-resident parent companies withdrew equity capital from resident subsidiaries. This reduction was offset by an inflow of funds resulting from the reinvestment of earnings and from intragroup lending. In the case of other investment, the transactions balanced each other out (Q2 2018: net reduction of CHF 32 billion). The SNB increased its amounts due to non-residents, while commercial banks reduced their amounts due to banks and customers.

## Net

The financial account showed a balance of CHF 6 billion (Q2 2018: CHF 2 billion). The balance is calculated as the sum of all net acquisitions of assets minus the sum of all net incurrences of liabilities plus the balance from derivatives transactions. The financial account balance corresponds to the change in the net investment position resulting from cross-border investment.

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## Statistical difference

The statistical difference item includes all deviations which arise from errors and omissions in statistical surveys. It is calculated as the financial account balance minus the sum of the current account balance and the capital account balance.

In the second quarter of 2019, the statistical difference amounted to CHF –16 billion (Q2 2018: CHF –21 billion). This negative balance suggests either that current account receipts or net incurrence of liabilities have been overestimated or, alternatively, that current account expenses or net acquisition of financial assets have been underestimated.

## International investment position

### Assets

Stocks of assets were up slightly, by CHF 6 billion to CHF 4,804 billion compared with the first quarter of 2019. Revaluations due to price and exchange rate changes moved in opposite directions, largely offsetting each other. On the one hand, all components recorded valuation losses on assets in foreign currency; on the other, prices on foreign stock exchanges rose, resulting in valuation gains for portfolio investment and reserve assets. Portfolio investment recorded an increase of CHF 8 billion to CHF 1,379 billion and reserve assets rose by CHF 6 billion to CHF 811 billion. Stocks of derivatives were up CHF 3 billion to CHF 92 billion. Other investment stocks, by contrast, were unchanged at CHF 838 billion – exchange rate losses were offset by financial account transactions. Direct investment stocks declined by CHF 10 billion to CHF 1,683 billion.

### Liabilities

Owing to revaluations, stocks of liabilities rose by CHF 30 billion overall to CHF 4,008 billion. Valuation gains driven by increases on the Swiss stock exchange significantly outweighed foreign exchange losses, as only a small proportion of liabilities is held in foreign currency. Portfolio investment accounted for all the valuation gains; stocks grew by CHF 34 billion to CHF 1,220 billion. Transactions also contributed to this increase, as non-resident investors purchased equities of resident issuers. However, statistical changes partly offset the rise; in previous quarters, the stocks reported by reporting institutions were too high, and this was corrected in the quarter under review. Direct investment stocks grew by CHF 1 billion to CHF 1,513 billion. Here, statistical changes offset the foreign exchange losses and transaction-related reduction. Stocks of other investment receded by CHF 4 billion to CHF 1,182 billion, and stocks of derivatives by CHF 1 billion to CHF 92 billion.

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## Net international investment position

Given that stocks of liabilities (up CHF 30 billion) showed a more pronounced increase than stocks of assets (up CHF 6 billion), the net international investment position fell by CHF 24 billion to CHF 796 billion.

## Remarks

The balance of payments (current account, capital account and financial account) records transactions between residents and non-residents during a specified period. The international investment position reports the cross-border stocks of financial assets of all institutional units on a specific reference date at the end of a period. Changes in assets and liabilities in the international investment position are the result, first, of transactions recorded in the financial account. Second, stocks are affected by revaluations (due to changes in prices or exchange rates) and other changes in volume (e.g. reclassifications or other statistical changes).

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.

Comprehensive tables covering the balance of payments and the international investment position can be found on the SNB's data portal, [data.snb.ch](https://data.snb.ch), *Table selection, International economic affairs*.

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**SWISS BALANCE OF PAYMENTS – OVERVIEW**

In CHF millions

	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2
<b>Current account, net</b>	<b>21,721</b>	<b>16,827</b>	<b>15,449</b>	<b>20,553</b>	<b>21,273</b>
Receipts	167,760	158,548	159,145	149,890	163,872
Expenses	146,039	141,720	143,695	129,337	142,599
<b>Goods and services, net</b>	<b>19,142</b>	<b>17,215</b>	<b>19,774</b>	<b>23,119</b>	<b>18,959</b>
Receipts	113,976	110,868	112,803	110,066	113,339
Expenses	94,834	93,653	93,029	86,947	94,380
<b>Goods, net</b>	<b>14,460</b>	<b>11,187</b>	<b>16,410</b>	<b>16,496</b>	<b>14,239</b>
Receipts	83,455	79,296	82,121	79,644	82,853
Foreign trade	78,332	74,156	75,159	73,629	77,471
Of which foreign trade total <sup>1</sup>	59,958	54,853	60,819	60,671	61,456
Of which non-monetary gold	14,030	15,055	10,103	8,972	12,140
Supplements to foreign trade <sup>2</sup>	-3,486	-3,019	-2,858	-3,488	-3,495
Merchanting	8,609	8,159	9,820	9,503	8,877
Expenses	68,995	68,109	65,711	63,148	68,614
Foreign trade	70,436	69,049	66,558	64,564	70,016
Of which foreign trade total <sup>1</sup>	52,399	48,107	50,586	51,634	51,658
Of which non-monetary gold	15,399	19,071	13,188	10,334	15,467
Supplements to foreign trade <sup>2</sup>	-1,440	-940	-847	-1,416	-1,402
<b>Services, net</b>	<b>4,682</b>	<b>6,028</b>	<b>3,364</b>	<b>6,624</b>	<b>4,721</b>
Receipts	30,521	31,572	30,682	30,422	30,486
Expenses	25,839	25,544	27,318	23,799	25,765
<b>Primary income, net</b>	<b>4,865</b>	<b>1,956</b>	<b>-1,531</b>	<b>340</b>	<b>4,625</b>
Receipts	43,494	36,435	34,823	28,928	39,591
Expenses	38,629	34,479	36,354	28,588	34,966
<b>Labour income, net</b>	<b>-5,925</b>	<b>-5,899</b>	<b>-5,896</b>	<b>-5,994</b>	<b>-5,986</b>
Receipts	627	627	627	627	627
Expenses	6,552	6,526	6,523	6,621	6,613
<b>Investment income, net</b>	<b>10,790</b>	<b>7,855</b>	<b>4,365</b>	<b>6,334</b>	<b>10,611</b>
Receipts	42,867	35,808	34,196	28,301	38,964
Expenses	32,077	27,953	29,831	21,967	28,353
<b>Secondary income, net</b>	<b>-2,287</b>	<b>-2,344</b>	<b>-2,793</b>	<b>-2,906</b>	<b>-2,312</b>
Receipts	10,290	11,245	11,518	10,896	10,942
Expenses	12,577	13,588	14,312	13,802	13,254
<b>Capital account, net</b>	<b>1,358</b>	<b>4,986</b>	<b>-84</b>	<b>40</b>	<b>130</b>
Receipts	1,726	6,697	194	145	214
Expenses	368	1,711	278	105	84

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<b>Financial account (excluding derivatives), net</b>	<b>899</b>	<b>37,471</b>	<b>20,972</b>	<b>-2,340</b>	<b>5,719</b>
Net acquisition of financial assets	-29,970	-17,917	8,975	-40,908	10,974
Net incurrence of liabilities	-30,869	-55,388	-11,996	-38,568	5,256
<b>Direct investment, net</b>	<b>15,871</b>	<b>26,906</b>	<b>24,268</b>	<b>-1,173</b>	<b>6,864</b>
Net acquisition of financial assets	18,855	10,709	3,443	-16,497	3,241
Net incurrence of liabilities	2,984	-16,197	-20,826	-15,324	-3,623
<b>Portfolio investment, net</b>	<b>-13,427</b>	<b>6,741</b>	<b>-5,145</b>	<b>7,232</b>	<b>-10,929</b>
Net acquisition of financial assets	-15,153	-500	-11,229	2,500	-2,277
Net incurrence of liabilities	-1,726	-7,241	-6,084	-4,732	8,653
<b>Other investment, net</b>	<b>-4,174</b>	<b>-1,057</b>	<b>-941</b>	<b>-10,681</b>	<b>7,163</b>
Net acquisition of financial assets	-36,301	-33,007	13,973	-29,193	7,389
Net incurrence of liabilities	-32,127	-31,950	14,913	-18,512	226
<b>Reserve assets, net</b>	<b>2,629</b>	<b>4,882</b>	<b>2,789</b>	<b>2,281</b>	<b>2,621</b>
<b>Derivatives, net</b>	<b>908</b>	<b>-339</b>	<b>271</b>	<b>172</b>	<b>-146</b>
<b>Statistical difference</b>	<b>-21,273</b>	<b>15,319</b>	<b>5,877</b>	<b>-22,761</b>	<b>-15,831</b>

- 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.

Source: SNB

## SWITZERLAND'S INTERNATIONAL INVESTMENT POSITION – OVERVIEW

In CHF millions

	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2
<b>Assets</b>	<b>4,869,174</b>	<b>4,794,024</b>	<b>4,784,826</b>	<b>4,797,844</b>	<b>4,804,093</b>
Direct investment	1,733,056	1,720,840	1,724,643	1,693,485	1,683,468
Portfolio investment	1,366,429	1,357,221	1,321,571	1,371,271	1,378,857
Derivatives	98,940	98,790	106,779	89,300	92,269
Other investment	875,147	833,146	855,336	838,396	838,124
Reserve assets	795,602	784,027	776,498	805,392	811,376
<b>Liabilities</b>	<b>4,014,588</b>	<b>3,979,346</b>	<b>3,900,667</b>	<b>3,978,181</b>	<b>4,007,887</b>
Direct investment	1,569,513	1,546,578	1,527,097	1,512,761	1,513,404
Portfolio investment	1,111,898	1,152,225	1,070,345	1,186,167	1,220,330
Derivatives	105,199	101,441	107,511	92,876	92,209
Other investment	1,227,978	1,179,102	1,195,715	1,186,377	1,181,943
<b>Net international investment position</b>	<b>854,586</b>	<b>814,678</b>	<b>884,159</b>	<b>819,663</b>	<b>796,206</b>
Direct investment	163,543	174,262	197,546	180,724	170,063
Portfolio investment	254,531	204,996	251,226	185,104	158,527
Derivatives	-6,258	-2,651	-732	-3,576	60
Other investment	-352,831	-345,956	-340,380	-347,981	-343,820
Reserve assets	795,602	784,027	776,498	805,392	811,376

Source: SNB