



Communications

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Direct Investment, 2018 edition

Swiss direct investment abroad

In 2018, companies domiciled in Switzerland invested CHF 61 billion abroad (2017: CHF 30 billion). About three-quarters of the direct investment originated from companies in the services sector (CHF 47 billion). Financial exposure abroad saw particularly large increases in the trade sector (CHF 32 billion) and among finance and holding companies (CHF 13 billion). Participations were a major focus of these investments. Manufacturing companies invested CHF 13 billion abroad, these investments taking the form of intragroup loans and reinvested earnings. Within manufacturing, companies in the chemicals and plastics category accounted for the most significant share of foreign investments (CHF 13 billion).

The bulk of the investments went to Europe (CHF 64 billion), notably to the two holding company locations of Ireland and Luxembourg as well as to the UK. Companies domiciled in Switzerland also undertook major investments in Central and South America (CHF 18 billion) and Asia (CHF 5 billion). By contrast, Swiss-domiciled companies made net withdrawals of funds from their subsidiaries in the US (CHF 12 billion) and Australia (CHF 8 billion).

Stocks of direct investment abroad totalled CHF 1,467 billion. Of this total, CHF 1,312 billion was equity capital (89%) and CHF 154 billion (11%) was intragroup loans. At CHF 622 billion (42%), finance and holding companies reported by far the largest stocks of capital abroad, followed by the chemicals and plastics category at CHF 187 billion (13%).

Income from direct investment abroad rose by CHF 6 billion to CHF 104 billion. Subsidiaries of manufacturing companies – especially those in the categories of other manufacturing and construction and of electronics, energy, optical and watchmaking – received substantially more investment income than in the previous year. On the other hand, investment income in



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the services sector was slightly lower than in the previous year. Subsidiaries of finance and holding companies in particular reported lower investment income. The subsidiaries of banks and insurance companies were the only category in the services sector to earn more investment income than in the previous year.

Foreign direct investment in Switzerland

On balance, investors abroad effected a net withdrawal of funds from Switzerland in 2018. This was the first such reduction in capital since 2005. The withdrawal amounted to CHF 52 billion (2017: net investment of CHF 106 billion). As in 2005, the reason was a tax reform in the United States: US parent companies made use of the Tax Cuts and Jobs Act to repatriate part of their equity reserves from subsidiaries in Switzerland. This was true in particular of finance and holding companies, which withdrew funds of CHF 32 billion. The various categories in the manufacturing sector as well as the majority of service-sector categories also saw net withdrawals. Some of these withdrawals, too, were linked to the US tax reform.

Stocks of foreign direct investment in Switzerland amounted to CHF 1,296 billion. Of this total, CHF 1,231 billion (95%) was equity capital and CHF 65 billion (5%) was intragroup loans. A breakdown by immediate investor shows that 84% of the capital stocks originated from investors in the EU and 6% from investors in the US. However, this breakdown does not fully convey the countries of origin of the ultimate beneficial owners in control of companies in Switzerland. This is because foreign direct investment stocks in Switzerland are largely held via intermediate companies controlled by groups headquartered in a third country. The SNB therefore publishes an alternative breakdown of capital stocks by country of origin of the ultimate beneficial owner. This breakdown shows that investors from the US and the EU controlled 43% and 34% of the capital stocks respectively.

Investment income from foreign direct investment in Switzerland rose by CHF 6 billion to CHF 103 billion. This was attributable to higher earnings at finance and holding companies. By contrast, most of the other categories saw investment income stagnate or even decline.

Operational data on multinational companies

The Swiss-controlled companies surveyed by the SNB employed a total of 2,145,000 people at their subsidiaries abroad, of whom 968,000 (45%) were working in Europe and 543,000 (25%) in Asia. The number of people employed rose by 67,000 or 3% compared with the previous year. The 41,000 increase in Europe (up 4%) was slightly above-average. Swiss parent companies with participations abroad are also significant employers in their home country. The corporate groups surveyed by the SNB employed a total of 551,000 people in Switzerland.

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Remarks

Comprehensive tables on direct investment and operational data for multinational companies are available on the SNB's data portal (data.snb.ch) under 'Table selection, International economic affairs'. The data can be accessed there in the form of charts and configurable tables. Information on methods used in direct investment statistics is also available under 'International economic affairs, Notes'.

The *Direct Investment 2018* report also provides additional data on individual countries. For example, the breakdown of foreign direct investment in Switzerland by ultimate beneficial owner now also includes data on China, Ireland and Russia.

As in the past, publication of the *Direct Investment 2018* report goes hand-in-hand with the revision of the preceding years' (2015–2017) figures. In 2016 and 2017, these revisions resulted in significantly higher figures for transactions in – and stocks of – equity capital in both investment directions, and especially for finance and holding companies. The main reason for this was the information newly available from companies that the SNB surveyed for the first time.

Since 2018, staff numbers at parent companies in Switzerland have been published by the Federal Statistical Office (SFSO) as part of their enterprise groups statistics (STAGRE). These data had previously been published by the SNB. The corresponding time series for the period 2004–2017 remain available on the SNB's data portal but are no longer being updated. Staff numbers at the parent companies in Switzerland that are surveyed by the SNB will continue to be published.

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DIRECT INVESTMENT 2018: OVERVIEW

		2017	2018
Swiss direct investment abroad			
Capital transactions	in CHF billions	30.1	60.6
Capital stocks	in CHF billions	1 398.6	1 466.5
Investment income	in CHF billions	98.3	103.8
Foreign direct investment in Switzerland			
Capital transactions	in CHF billions	105.6	-52.0
Capital stocks	in CHF billions	1 281.3	1 295.9
Investment income	in CHF billions	97.2	102.7
Operational data on Swiss subsidiaries abroad and their parent companies in Switzerland¹			
Number of staff at Swiss subsidiaries abroad	in thousands	2 078.3	2 145.3
Number of staff at parent companies in Switzerland	in thousands	543.1	551.2

1 Only includes companies covered by the direct investment survey.

Source: SNB

The report will be available from 13 December 2019 on the SNB website at www.snb.ch, *Statistics, Reports and press releases*. The printed version may be obtained from the SNB from 19 December 2019.