

Communications

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Swiss balance of payments and international investment position Q3 2019

Overview

In the third quarter of 2019, the current account surplus amounted to CHF 18 billion, CHF 5 billion more than in the same quarter of 2018. This increase was primarily due to the higher receipts surplus in trade in goods.

In the financial account, reported transactions in the third quarter of 2019 showed a net acquisition on the assets side and a net incurrence on the liabilities side. The net acquisition on the assets side came to CHF 16 billion and was attributable to reserve assets in particular. The net incurrence on the liabilities side amounted to CHF 6 billion. The main contributor here was other investment, primarily as a result of resident banks increasing their liabilities towards non-resident banks (interbank business). The financial account balance thus stood at CHF 10 billion.

In the international investment position, stocks were up in the third quarter of 2019 on both the assets and the liabilities sides. These increases were largely attributable to valuation gains from price rises on the stock exchanges in Switzerland and abroad. Assets rose by CHF 68 billion to CHF 5,227 billion and liabilities were CHF 58 billion higher at CHF 4,319 billion. The net international investment position thus increased by almost CHF 10 billion to CHF 909 billion.

Press release

Current account

Receipts

At CHF 88 billion, receipts from total goods trade exceeded the figure for the third quarter of 2018 by CHF 8 billion. Receipts from trade in goods according to the foreign trade statistics (total 1) rose by CHF 5 billion to CHF 60 billion. In addition, an increase was recorded in exports of non-monetary gold of CHF 4 billion to CHF 19 billion. At CHF 9 billion, receipts from merchanting were slightly higher than in the year-back quarter.

Receipts from foreign trade in services were at the same level as in the third quarter of 2018 at CHF 32 billion. Slight increases in receipts from telecommunications, computer and information services as well as maintenance and repair services were offset by a decline in receipts from licence fees.

At CHF 36 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, equalling the figure for the year-back quarter.

Expenses

Expenses for total goods trade amounted to CHF 71 billion, a CHF 3 billion rise from the third quarter of 2018. In particular, there was an increase in expenses according to the foreign trade statistics (total 1), which rose by CHF 2 billion to CHF 50 billion.

At CHF 26 billion, expenses for services imports exceeded the figure for the year-back quarter by CHF 1 billion. This increase was attributable to transport services, research and development services, and maintenance and repair services.

Expenses under primary income (labour and investment income) fell by CHF 5 billion to CHF 37 billion. This was due to lower earnings from direct investment in Switzerland.

Expenses under secondary income (current transfers) came to CHF 14 billion, up CHF 1 billion from the year-back quarter, mainly as a result of higher foreign claim payments by reinsurance companies.

Net

The current account surplus amounted to CHF 18 billion, a CHF 5 billion increase from the third quarter of 2018. It is calculated as the sum of all receipts (CHF 167 billion) minus the sum of all expenses (CHF 149 billion).

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Financial account

Net acquisition of financial assets

The assets side of the financial account registered a net acquisition of CHF 16 billion (Q3 2018: net reduction of CHF 13 billion).

Reserve assets contributed CHF 12 billion to this net acquisition (Q3 2018: net acquisition of CHF 5 billion).

Other investment saw a net acquisition of CHF 1 billion (Q3 2018: net reduction of CHF 32 billion). This was the result of two contrary developments: An increase in foreign claims for most sectors was offset by a reduction in intragroup lending to non-residents by Swiss-domiciled, foreign-controlled finance companies.

Direct investment also saw a net acquisition of CHF 1 billion in the third quarter of 2019 (Q3 2018: net acquisition of CHF 15 billion). This resulted from larger transactions which had a net balancing effect: parent companies in Switzerland increased equity capital in their non-resident subsidiaries and reinvested earnings abroad, while resident companies (excluding finance companies) reduced intragroup lending to non-residents.

Portfolio investment showed a net acquisition of CHF 2 billion (Q3 2018: net reduction of CHF 1 billion). Purchases by resident investors of equity securities of non-resident issuers exceeded sales of debt securities.

Net incurrence of liabilities

The liabilities side of the financial account registered a net incurrence of CHF 6 billion (Q3 2018: net reduction of CHF 52 billion).

Other investment posted a net incurrence of liabilities in the amount of CHF 18 billion (Q3 2018: net reduction of CHF 30 billion). Resident banks increased their liabilities towards non-resident banks (interbank market). This was offset by resident finance companies repaying loans granted by non-resident group companies.

Direct investment posted a net reduction of CHF 9 billion (Q3 2018: net reduction of CHF 13 billion). As in the previous quarters, non-resident parent companies withdrew equity capital from their resident subsidiaries, albeit on a much lower scale than before. In addition, resident subsidiaries repaid loans granted by non-resident group companies. The impact of the reduction in equity capital and loans was lessened by the fact that non-resident parent companies reinvested in Switzerland the earnings of their resident subsidiaries.

Portfolio investment registered a net reduction of CHF 3 billion (Q3 2018: net reduction of CHF 8 billion). Non-resident investors sold shares of resident issuers.

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Net

The financial account showed a balance of CHF 10 billion (Q3 2018: CHF 40 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.

International investment position

Assets

Stocks of assets rose by a total of CHF 68 billion overall to CHF 5,227 billion compared with the second quarter of 2019. This increase was mainly due to valuation gains in portfolio investment and reserve assets as a result of higher prices on foreign stock exchanges. Stocks of portfolio investment were up by CHF 24 billion to CHF 1,402 billion and those of reserve assets by CHF 21 billion to CHF 832 billion. Besides valuation gains, financial account transactions were another contributor to the growth in reserve assets. Stocks of derivatives also increased markedly by CHF 17 billion to CHF 102 billion. By contrast, there were only insignificant changes in the stocks of direct investment and other investment.

Liabilities

Stocks of liabilities rose by CHF 58 billion overall to CHF 4,319 billion. Valuation gains in portfolio investment due to higher prices on the Swiss stock exchange contributed more than one-third of this increase. Stocks of portfolio investment were up by CHF 22 billion to CHF 1,233 billion. Other investment rose by CHF 20 billion to CHF 1,229 billion, primarily driven by an increase in transactions. Stocks of derivatives were also up by CHF 20 billion to CHF 104 billion. By contrast, stocks of direct investment declined by CHF 3 billion to CHF 1,753 billion due to financial account transactions.

Net international investment position

Given that stocks of assets (up CHF 68 billion) showed a more pronounced increase than stocks of liabilities (up CHF 58 billion), the net international investment position grew by almost CHF 10 billion to CHF 909 billion.

Data revisions

With the publication of this press release, data revisions come into effect for the balance of payments and international investment position, some of which go back to the year 2000.

The revisions were made for various reasons: for 2000–2013 due to corrections in the methodology used and to new data sources, and from 2014 as a result of newly available information from reporting institutions.

Press release

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, *Table selection, International economic affairs*.

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SWISS BALANCE OF PAYMENTS – OVERVIEW

In CHF millions

	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3
Current account, net	13,008	14,678	19,467	19,214	18,091
Receipts	162,286	175,023	149,971	164,227	166,906
Expenses	149,278	160,345	130,505	145,013	148,814
Goods and services, net	17,215	19,774	22,457	18,232	22,018
Receipts	110,868	112,803	109,697	113,491	119,167
Expenses	93,653	93,029	87,241	95,259	97,149
Goods, net	11,187	16,410	16,018	13,960	16,762
Receipts	79,296	82,121	79,184	82,938	87,549
Foreign trade	74,156	75,159	73,644	77,553	82,649
Of which foreign trade total ¹	54,853	60,819	60,684	61,420	59,797
Of which non-monetary gold	15,055	10,103	8,971	12,284	18,745
Supplements to foreign trade ²	-3,019	-2,858	-3,492	-3,519	-3,655
Merchanting	8,159	9,820	9,032	8,905	8,555
Expenses	68,109	65,711	63,166	68,978	70,786
Foreign trade	69,049	66,558	64,586	70,422	72,360
Of which foreign trade total ¹	48,107	50,586	51,659	51,955	50,346
Of which non-monetary gold	19,071	13,188	10,335	15,590	19,654
Supplements to foreign trade ²	-940	-847	-1,420	-1,444	-1,574
Services, net	6,028	3,364	6,438	4,272	5,255
Receipts	31,572	30,682	30,513	30,553	31,618
Expenses	25,544	27,318	24,075	26,281	26,363
Primary income, net	-1,863	-2,303	-85	3,637	-1,042
Receipts	40,173	50,701	29,378	40,150	36,360
Expenses	42,036	53,005	29,464	36,514	37,402
Labour income, net	-5,899	-5,896	-5,994	-6,105	-6,117
Receipts	627	627	627	627	627
Expenses	6,526	6,523	6,621	6,732	6,744
Investment income, net	4,036	3,593	5,909	9,742	5,076
Receipts	39,546	50,074	28,751	39,523	35,733
Expenses	35,510	46,481	22,843	29,782	30,658
Secondary income, net	-2,344	-2,793	-2,905	-2,654	-2,885
Receipts	11,245	11,518	10,896	10,586	11,378
Expenses	13,588	14,312	13,800	13,240	14,263
Capital account, net	4,986	-84	36	127	-5
Receipts	6,697	194	141	210	198
Expenses	1,711	278	105	83	203

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Financial account (excluding derivatives), net	38,825	19,409	-1,882	2,307	10,034
Net acquisition of financial assets	-12,840	-21,421	-32,871	8,651	16,010
Net incurrence of liabilities	-51,665	-40,829	-30,989	6,344	5,976
Direct investment, net	28,079	26,369	2,438	-152	9,420
Net acquisition of financial assets	14,802	-19,921	-9,469	-5,586	575
Net incurrence of liabilities	-13,277	-46,290	-11,906	-5,434	-8,845
Portfolio investment, net	7,251	-4,162	7,185	-10,841	5,645
Net acquisition of financial assets	-907	-10,354	2,450	-2,559	2,340
Net incurrence of liabilities	-8,157	-6,193	-4,735	8,282	-3,305
Other investment, net	-1,387	-5,587	-13,785	10,679	-16,741
Net acquisition of financial assets	-31,617	6,066	-28,133	14,175	1,385
Net incurrence of liabilities	-30,231	11,653	-14,348	3,496	18,126
Reserve assets, net	4,882	2,789	2,281	2,621	11,710
Derivatives, net	1,024	1,504	603	241	-96
Statistical difference	21,854	6,319	-20,782	-16,794	-8,149

- 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 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3
Assets	5,059,452	5,004,632	5,135,983	5,159,698	5,227,497
Direct investment	1,916,003	1,905,866	1,905,880	1,881,927	1,884,155
Portfolio investment	1,354,683	1,292,054	1,370,781	1,378,089	1,402,178
Derivatives	91,113	102,117	80,741	85,359	102,285
Other investment	913,625	928,097	973,188	1,002,946	1,006,420
Reserve assets	784,027	776,498	805,392	811,376	832,460
Liabilities	4,226,788	4,128,795	4,216,027	4,260,263	4,318,644
Direct investment	1,790,690	1,767,825	1,761,673	1,755,857	1,752,580
Portfolio investment	1,142,125	1,046,814	1,159,336	1,210,474	1,232,760
Derivatives	93,904	100,171	84,178	84,754	104,326
Other investment	1,200,069	1,213,986	1,210,840	1,209,178	1,228,977
Net international investment position	832,664	875,836	919,956	899,435	908,853
Direct investment	125,313	138,041	144,208	126,070	131,574
Portfolio investment	212,558	245,240	211,445	167,615	169,418
Derivatives	-2,791	1,947	-3,437	605	-2,041
Other investment	-286,443	-285,888	-237,652	-206,232	-222,557
Reserve assets	784,027	776,498	805,392	811,376	832,460

Source: SNB