

Switzerland's international investment position in 2001

Switzerland's international investment position at the end of 2001 amounted to Sfr 602 billion net, thus exceeding the previous year's level by Sfr 80 billion. In 2000, the net investment position had declined by approximately Sfr 50 billion. The rise in the net investment position in 2001 was due to a sharp drop in liabilities abroad. This marked decline was the result of the heavy price losses on Swiss stocks. In relation to gross domestic product, the net investment position in 2001 was 145% compared with 129% in the previous year.

Switzerland's international investment position

Table 1

Positions at year-end	1985	1990	1995	1999 ^r	2000 ^r	2001 ^p	Changes against previous year in percent
Assets in billions of Sfr	527.8	733.0	989.8	1982.6	2231.9	2220.0	-0.5
Liabilities in billions of Sfr	298.1	450.7	640.2	1412.5	1710.4	1618.3	-5.4
Net in billions of Sfr	229.7	282.3	349.5	570.1	521.5	601.7	15.5
Assets in % of GDP	222.5	231.0	272.4	510.3	550.4	535.1	-2.8
Liabilities in % of GDP	125.7	142.0	176.2	363.6	421.8	390.1	-7.5
Net in % of GDP	96.8	89.0	96.2	146.7	128.6	145.0	12.8

r revised
p provisional

Composition and valuation of international investment position

The international investment position is the balance sheet of the stock of Switzerland's external financial assets and liabilities. The balance from assets and liabilities is the net international investment position. The international investment position is comprised of direct investment, portfolio investment, the Swiss National Bank's international reserves as well as other financial assets and liabilities. Direct investment includes equity capital and credits to subsidiaries. Portfolio investment includes shares, investment fund certificates, bonds and money market paper. Lending by banks makes up the bulk of the other financial assets and liabilities by residents abroad. The positions at the end of the year are generally valued at market prices. Direct investment positions are an exception. They are shown at book value. Since 2000, the National Bank's gold holdings have also been valued at market value. Prior to that, the official parity value of Sfr 4,596 per kilogram of gold was applied. Switzerland's international investment position is compiled in accordance with IMF guidelines.

International investment position and balance of payments

The international investment position is closely interrelated with the balance of payments. The international investment position reflects the level of cumulated investments at a given point in time. In the balance of payments, capital flows (investment) are shown during a specified period of time. Capital exports (Swiss investment abroad) lead to an increase in foreign assets and, conversely, capital imports (foreign investment in Switzerland) to an increase in foreign liabilities. If Switzerland makes more investments abroad than the other way around, i. e. if its transactions result in a net capital export, the net international investment position increases. In this case, the corresponding balance in the current account shows a surplus. However, the development of the international investment position is not only determined by investment but by other factors as well. In particular, the positions reflect fluctuations in exchange rates and precious metal prices, changes in the interest rate and in stock prices. Direct investment positions are valued at book value, while the corresponding capital flows are shown at market value. For this reason, changes in the international investment positions usually do not correspond to the capital flows recorded in the balance of payments.

1 The effects of the financial account and valuation changes on the net international investment position

Capital exports and capital imports as well as changes in the valuation of stocks determine the size of the international investment position (cf. definitions of international investment position and balance of payments.) In 2001, Swiss capital exports led to a rise in foreign assets of Sfr 64 billion. Valuation losses, however, resulted in a decline of Sfr 76 billion, so that foreign assets actually dropped by Sfr 12 billion. The losses were mostly attributable to price losses on foreign securities.

As a result of capital imports, the level of foreign liabilities increased by Sfr 2 billion in 2001. Lower valuation of liabilities led to a loss of Sfr 94 billion. Foreign liabilities, therefore, contracted by Sfr 92 billion. This was due to the sharp drop in stock prices.

The net investment position grew by Sfr 80 billion. Net capital exports accounted for Sfr 62 billion of this rise and Sfr 18 billion stemmed from net valuation changes.

Changes in the international investment position in 2001 in billions of Swiss francs

Table 2

	Total in 2000 ^r	Investment ¹ in 2001 ^p Increase: +	Valuation changes ² 2001 ^p Increase: +	Total in 2001 ^p
Assets	2231.9	63.7	-75.6	2220.0
Liabilities	1710.4	1.6	-93.7	1618.3
Net investment position	521.5	62.1	18.1	601.7

1 Investment in accordance with the financial account in the balance of payments; outflows result in an increase in foreign assets and capital inflows in an increase in foreign liabilities. The above compilation does not comprise imports and exports of precious metals by banks included in

the financial account. This is because the corresponding precious metals holdings do not appear in the international investment position.

2 Price-induced changes, including statistical changes, are the result of changes in the scope of data collection.

r revised
p provisional

2 Development and structure of foreign assets

The share of debt instruments in securities holdings increased in 2001 to the detriment of equity securities. In the wake of falling stock market prices, the latter retreated below the previous year's level. Overall, securities holdings remained unchanged year-on-year. Investors bought foreign securities on a larger scale in 2001 compared with the previous year. However, the increase brought on by capital exports was compensated by losses on shares.

The stock of direct investment climbed from Sfr 34 billion to Sfr 416 billion. In the previous year, the increase had been twice as high. Of all the components of the international investment position, direct investment still experienced the most significant rise in 2001. It also exhibits above-average long-term growth. Its share of total foreign assets has increased from 10% to 19% since 1985, when inter-

national investment statistics started to be compiled. The fact that direct investment positions are shown at book value, which is considerably below the market value, must be taken into account.

The National Bank's international reserves declined by one billion Swiss francs to Sfr 87 billion. Their share of foreign assets remained unchanged year-on-year, at 4%. In 2001, the National Bank sold gold no longer required for monetary purposes for Sfr 3 billion. Since gold holdings were valued slightly higher at the end of 2001 compared with the previous year, they decreased by only Sfr 2 billion. Foreign exchange holdings and other international reserve components together mounted by one billion Swiss francs.

The other foreign assets – mainly interbank claims – diminished by Sfr 44 billion to Sfr 897 billion. Their share of foreign assets, therefore, receded from 42% to 40%. Banks reduced their claims by Sfr 47 billion to Sfr 629 billion. Nonbanks, however, reported higher lending than in the previous year.

Composition of foreign assets in billions of Swiss francs ¹

Table 3

Total at year-end	1985	1990	1995	1999 ^r	2000 ^p	2001 ^p	Changes against previous year in percent	Shares in percent
Direct investment ²	52.1	85.6	163.9	311.3	381.9	415.6	8.8	18.7
Equity capital	42.7	73.0	141.5	266.9	339.5	371.0	9.3	16.7
Credits	9.4	12.6	22.4	44.3	42.4	44.6	5.2	2.0
Portfolio investment	200.5	248.1	399.3	807.6	820.8	820.3	0.0	37.0
Debt securities	152.2	194.2	260.6	392.2	385.7	405.3	5.0	18.3
Bond	150.2	191.7	257.6	380.9	376.7	381.8	1.4	17.2
Money market paper ³	2.0	2.6	2.9	11.3	9.0	23.6	162.2	1.1
Equity securities	48.3	53.9	138.7	415.4	435.1	415.0	-4.6	18.7
Shares	na	na	na	302.0	306.7	279.8	-8.8	12.6
Investment funds	na	na	na	113.4	128.4	135.2	5.3	6.1
Other foreign assets (without international reserves)	225.2	350.0	370.6	793.5	941.3	896.9	-4.7	40.4
of which								
commercial bank lending ⁴	155.4	172.3	210.6	547.2	676.4	629.4	-6.9	28.4
Corporate lending ⁵	24.6	40.3	64.3	101.8	109.7	117.0	6.7	5.3
Government lending	1.4	1.5	1.1	0.8	0.8	0.5	-37.5	0.0
International reserves	50.1	49.2	56.0	70.3	87.9	87.1	-0.8	3.9
Gold ⁶	11.9	11.9	11.9	11.9	34.7	33.0	-4.9	1.5
Foreign exchange	36.8	37.2	41.8	54.6	50.4	50.6	0.4	2.3
Other currency reserves	1.4	0.1	2.3	3.8	2.7	3.5	29.6	0.2
Total	527.9	733.0	989.8	1928.6	2 231.9	2 220.0	-0.5	100.0

1 Differences in the totals due to rounding off

2 Swiss equity holdings in companies abroad of 10% or more as well as claims and liabilities (net) vis-à-vis subsidiaries abroad

3 Until 1997, only money market paper held by banks

4 Domestic bank offices

5 Without loans to subsidiaries, which are included in direct investment

6 Since 2000, gold holdings have been valued at market value

r revised

p provisional

na not available

3 Development and structure of liabilities abroad

Swiss securities held by nonresidents shrank by Sfr 87 billion to Sfr 587 billion in 2001. The decline was mostly attributable to price losses on shares. At the end of 2001, 79% of securities held by nonresidents were accounted for by shares. As a consequence, foreign holdings of securities were particularly hard hit by the stock market slump. The share of portfolio investments of foreign liabilities therefore diminished from 39% in the previous year to 36% in 2001.

The stock of foreign direct investment in Switzerland rose by Sfr 8 billion to Sfr 150 billion compared with the year-earlier increase of Sfr 20 billion. The weaker growth is due to fewer capital imports in 2001 as well as to the lower valuation of stocks.

Other foreign liabilities fell by Sfr 13 billion to Sfr 882 billion. The bulk of other liabilities were accounted for by banks. In 2001, banks reduced the level of their liabilities abroad by Sfr 24 billion to Sfr 667 billion. By contrast, nonbanks saw the level of foreign borrowing go up by Sfr 10 billion to Sfr 101 billion.

4 Composition by currency

The proportion of Swiss assets abroad denominated in Swiss francs grew from 13% in the previous year to 14% in 2001. All components of assets abroad, except international reserves, which are only held in foreign currencies and in gold, recorded a rise in their Swiss franc share. The increase is attributable to higher Swiss franc investment. During the first half of the 1990s, the Swiss franc share in assets had still been twice as high. Since then it had continuously fallen until reaching a low point in 2000. The share of the euro continued to expand in 2001, i. e. from 27% to 28%. The relative significance of foreign assets denominated in US dollars and other currencies decreased, however.

The Swiss franc's share of foreign liabilities declined from 53% to 52% in 2001. The lower valuation of Swiss franc-denominated securities investments was the culprit for the decline. By contrast, the US dollar and the euro gained in importance to the detriment of the Swiss franc and the other currencies.

Composition of foreign liabilities in billions of Swiss francs¹

Table 4

Total at year-end	1985	1990	1995	1999 ^r	2000 ^r	2001 ^p	Changes against previous year in percent	Shares in percent
Direct investment ²	21.0	44.4	65.6	121.6	142.1	149.8	5.4	9.3
Equity capital	20.6	44.9	64.9	119.8	139.6	149.1	6.8	9.2
Credits	0.4	-0.5	0.7	1.8	2.5	0.7	-72.0	0.0
Portfolio investment	99.5	121.5	240.0	545.5	673.3	586.6	-12.9	36.2
Debt securities	11.4	19.2	33.7	50.3	48.1	47.1	-2.1	2.9
Bonds	11.4	19.2	33.7	49.7	47.2	46.5	-1.5	2.9
Money market paper	na	na	na	0.6	0.9	0.6	-33.3	0.0
Equity securities	88.1	102.3	206.3	495.2	625.2	539.5	-13.7	33.3
Shares	72.4	80.2	171.2	423.2	547.5	463.4	-15.4	28.6
Investment fund certificates	15.7	22.1	35.1	72.0	77.7	76.1	-2.1	4.7
Other foreign liabilities	177.7	284.8	334.6	745.4	895.0	881.9	-1.5	54.5
of which								
commercial bank lending ³	123.5	172.2	207.5	548.2	690.9	667.0	-3.5	41.2
Corporate lending ⁴	18.5	27.9	52.5	80.3	89.8	100.6	12.0	6.2
Government lending	na	0.1	0.7	0.8	0.7	0.6	-14.3	0.0
Total	298.2	450.7	640.2	1412.5	1710.4	1618.3	-5.4	100.0

1 Differences in the totals due to rounding off

2 Foreign equity holdings in companies in Switzerland of 10% or more as well as claims und liabilities (net) vis-à-vis subsidiaries in Switzerland

3 Domestic bank offices

4 Without loans to subsidiaries, which are included in direct investment

r revised

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na not available

Composition of foreign assets by currency in billions of Swiss francs¹

Table 5

	2000 ^r stock	Shares in percent	2001 ^p stock	Shares in percent	Changes against previous year in percent
Direct investment					
CHF	4.7	1.2	9.9	2.4	111.7
USD	94.3	24.7	98.8	23.8	4.8
EUR	117.6	30.8	120.6	29.0	2.5
Other currencies	165.3	43.3	186.4	44.8	12.8
Total	381.9	100.0	415.6	100.0	8.8
Portfolio investment					
CHF	178.8	21.8	188.0	22.9	5.1
USD	244.6	29.8	249.4	30.4	1.9
EUR	269.2	32.8	283.4	34.5	5.3
Other currencies	128.2	15.6	99.6	12.1	-22.3
Total	820.8	100.0	820.3	100.0	-0.1
Other foreign assets					
CHF	114.0	12.1	122.3	13.6	7.2
USD	386.3	41.0	360.8	40.2	-6.6
EUR	187.9	20.0	188.5	21.0	0.3
Other currencies	249.2	26.5	220.3	24.6	-11.6
Precious metals	3.7	0.4	5.1	0.6	36.2
Total	941.3	100.0	896.9	100.0	-4.7
International reserves					
USD	20.5	23.4	20.8	23.8	1.1
EUR	22.3	25.3	23.2	26.7	4.2
Other currencies	10.4	11.8	10.1	11.6	-2.4
Precious metals	34.7	39.5	33.0	37.9	-5.0
Total	87.9	100.0	87.1	100.0	-0.9
Total foreign assets					
CHF	297.5	13.3	320.1	14.4	7.6
USD	745.7	33.4	729.7	32.9	-2.2
EUR	597.0	26.7	615.7	27.7	3.1
Other currencies	553.2	24.8	516.4	23.3	-6.6
Precious metals	38.5	1.7	38.1	1.7	-1.0
Total	2 231.9	100.0	2 220.0	100.0	-0.5

1 Differences in the totals due to rounding off

r revised
p provisional

Composition of foreign liabilities by currency in billions of Swiss francs¹

Table 6

	2000 ^r	Shares in percent	2001 ^p	Shares in percent	Changes against previous year in percent
Direct investment					
CHF	143.8	101.2	149.7	99.9	4.1
USD	-0.2	-0.2	0.1	0.1	-141.7
EUR	-1.2	-0.9	-1.3	-0.9	9.2
Other currencies	-0.3	-0.2	1.3	0.9	-573.1
Total	142.1	100.0	149.8	100.0	5.5
Portfolio investment					
CHF	592.8	88.0	508.2	86.6	-14.3
USD	27.2	4.0	30.9	5.3	13.5
EUR	37.1	5.5	35.7	6.1	-3.9
Other currencies	16.3	2.4	11.9	2.0	-27.0
Total	673.3	100.0	586.6	100.0	-12.9
Other foreign liabilities					
CHF	174.6	19.5	185.6	21.0	6.3
USD	351.0	39.2	373.1	42.3	6.3
EUR	136.6	15.3	163.5	18.5	19.7
Other currencies	223.4	25.0	148.9	16.9	-33.4
Precious metals	9.5	1.1	10.7	1.2	12.6
Total	895.0	100.0	881.9	100.0	-1.5
Total foreign liabilities					
CHF	911.2	53.3	843.5	52.1%	-7.4
USD	377.9	22.1	404.0	25.0%	6.9
EUR	172.5	10.1	197.9	12.2%	14.7
Other currencies	239.3	14.0	162.1	10.0%	-32.3
Precious metals	9.5	0.6	10.7	0.7%	12.6
Total	1 710.4	100.0	1 618.3	100.0%	-5.4

¹ Differences in the totals due to rounding off

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