

# Switzerland's international investment position in 2002

Switzerland's net international investment position declined by CHF 13 billion to CHF 584 billion in 2002. Both foreign assets and foreign liabilities were again below their year-earlier figure owing to the sustained stock market slump and the lower valuation of the US dollar. Since foreign assets are higher than foreign liabilities, they were harder hit by this decline in absolute terms. The net investment position consequently diminished. Its share of GDP dropped from 144% to 140%. By international standards, Switzerland's net investment position is still high.

### Switzerland's international investment position

Table 1

Position at year-end	1985	1990	1995	2000	2001 <sup>r</sup>	2002 <sup>p</sup>	Change against previous year in percent
Foreign assets in CHF billions	527.8	733.0	989.8	2231.9	2214.0	2099.2	-5.2
Foreign liabilities in CHF billions	298.1	450.7	640.2	1710.4	1617.5	1515.5	-6.3
Net investment position in CHF billions	229.7	282.3	349.6	521.5	596.5	583.7	-2.1
Assets in % of GDP	222.5	231.0	272.4	550.0	535.0	503.1	-6.0
Liabilities in % of GDP	125.7	142.0	176.2	421.5	390.8	363.1	-7.1
Net in % of GDP	96.8	89.0	96.2	128.5	144.1	139.9	-2.9

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## Composition and valuation of the international investment position

The international investment position indicates the level of Switzerland's financial assets and liabilities abroad. The net position thus denotes the balance of these assets and liabilities. The international investment position comprises portfolio investment, direct investment, the National Bank's international reserves as well as other financial assets and liabilities. Direct investment includes equity capital and loans to subsidiaries abroad. Portfolio investment includes shares, investment fund certificates, bonds and money market paper. Bank lending makes up the bulk of the other financial assets and liabilities of residents vis-à-vis other countries. The positions at the end of the year are generally stated 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 stated at market value. Previously, the official parity value of CHF 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. It reflects the level of foreign assets and liabilities at a given point in time. In the balance of payments, capital flows (investments) are shown during a specified period of time. Capital outflows (Swiss investment abroad) lead to an increase in foreign assets while capital inflows (foreign investment in Switzerland) bring about an increase in foreign liabilities. If Switzerland makes more investments abroad than vice versa, i. e. if its transactions result in a net capital outflow, 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 as well as changes in stock prices.

## 1 Effects of the financial account and of valuation changes on the net international investment position

Capital inflows and outflows as well as changes in the valuation of stocks determine the size of the international investment position (cf. page 74 international investment position and balance of payments).

In 2002, Swiss capital outflows led to a rise of CHF 131 billion in foreign assets. At the same time, though, heavy valuation losses in the amount of CHF 245 billion meant that foreign assets effectively dropped by CHF 115 billion. The valuation losses were due to falling prices of foreign shares as well as the weaker US dollar.

Capital imports contributed CHF 82 billion to the rise in foreign liabilities in 2002. Valuation losses of CHF 184 billion resulted in foreign liabilities effectively declining by CHF 102 billion, however. A fall in the prices of foreign-held Swiss shares were a key factor here.

Net capital outflows boosted the net international investment position by CHF 48 billion. Valuation losses on foreign assets and liabilities, though, caused the net investment position to decline by CHF 61 billion on balance. The net international investment position thus effectively receded by CHF 13 billion.

Changes in the international investment position in 2002 in CHF billions

Table 2

	Total 2001 <sup>r</sup>	Investment <sup>1</sup> 2002 <sup>p</sup> Increase: +	Valuation change <sup>2</sup> 2002 <sup>p</sup> Increase: +	Total 2002 <sup>p</sup>
Foreign assets	2214.0	130.5	-245.3	2099.2
Foreign liabilities	1617.5	82.4	-184.4	1515.5
Net investment position	596.5	48.1	-60.9	583.7

1 Investment in accordance with the financial account in the balance of payments; capital outflows result in an increase in foreign assets and capital inflows in an increase in foreign liabilities.

2 Exchange rate-induced and market price-induced valuation changes.

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## 2 Development and structure of foreign assets

Total direct investment abroad diminished by CHF 15 billion to CHF 410 billion in 2002. This is the first decline since international investment statistics started to be compiled in 1985. In the past few years, this figure had risen at an above-average rate, doubling its share in total foreign assets from 10% to 20% since 1985. On the one hand, the drop in direct investment capital abroad was exchange rate-induced. In particular, positions in US dollars suffered a steep decline. On the other hand, the poor business results of subsidiaries abroad contributed to a lower valuation of the capital stock.

Portfolio positions declined by CHF 98 billion to CHF 722 billion in 2002. This significant fall can be attributed to the lower stock market valuation of for-

ign shares and the softer US dollar. Equity securities thus dropped by CHF 112 billion to CHF 303 billion. Debt securities, by contrast, grew by CHF 14 billion to CHF 420 billion.

The volume of other foreign assets was roughly the same as in the previous year. Commercial bank lending was up by CHF 17 billion to CHF 646 billion, while corporate lending expanded by CHF 11 billion to CHF 128 billion. Higher lending by banks and companies was offset mainly by lower fiduciary investments abroad.

International reserves dipped by CHF 2 billion to CHF 85 billion in 2002. The National Bank sold gold no longer required for monetary purposes in the amount of CHF 4 billion. However, the foreign exchange position topped the year-earlier level by CHF 2 billion.

Composition of foreign assets in CHF billions<sup>1</sup>

Table 3

Total at year-end	1985	1990	1995	2000	2001 <sup>r</sup>	2002 <sup>p</sup>	Change against previous year in percent	Percentage share of total
<b>Direct investment<sup>2</sup></b>	<b>52.1</b>	<b>85.6</b>	<b>163.9</b>	<b>381.9</b>	<b>425.3</b>	<b>409.7</b>	<b>-3.7</b>	<b>19.5</b>
Equity capital	42.7	73.0	141.5	339.5	381.2	370.6	-2.8	17.7
Loans	9.4	12.6	22.4	42.4	44.1	39.0	-11.4	1.9
<b>Portfolio investment</b>	<b>200.5</b>	<b>248.1</b>	<b>399.3</b>	<b>820.9</b>	<b>820.3</b>	<b>722.2</b>	<b>-12.0</b>	<b>34.4</b>
Debt securities	152.2	194.2	260.6	385.7	405.3	419.6	3.5	20.0
<i>Bonds</i>	150.2	191.7	257.6	376.7	381.8	392.8	2.9	18.7
<i>Money market paper<sup>3</sup></i>	2.0	2.6	2.9	9.0	23.6	26.8	13.6	1.3
Equity securities	48.3	53.9	138.7	435.1	415.0	302.7	-27.1	14.4
<i>Shares</i>	na	na	na	306.7	279.8	184.4	-34.1	8.8
<i>Investment funds</i>	na	na	na	128.4	135.2	118.2	-12.6	5.6
<b>Other foreign assets</b>	<b>225.2</b>	<b>350.0</b>	<b>370.6</b>	<b>941.3</b>	<b>881.4</b>	<b>882.0</b>	<b>0.1</b>	<b>42.0</b>
<i>of which</i>								
<i>commercial bank lending<sup>4</sup></i>	155.4	172.3	210.6	676.4	629.4	646.1	2.7	30.8
<i>corporate lending<sup>5</sup></i>	24.6	40.3	64.3	109.7	117.0	127.9	9.4	6.1
<i>government lending</i>	1.4	1.5	1.1	0.8	0.5	0.5	-4.1	-0.0
<i>fiduciary investments</i>	43.8	92.5	64.5	103.2	97.5	76.5	-21.5	3.6
<b>International reserves</b>	<b>50.0</b>	<b>49.2</b>	<b>56.0</b>	<b>87.9</b>	<b>87.1</b>	<b>85.4</b>	<b>-1.9</b>	<b>4.1</b>
Gold <sup>6</sup>	11.9	11.9	11.9	34.7	33.0	29.3	-11.0	1.4
Foreign exchange	36.8	37.2	41.8	50.5	50.6	52.9	4.7	2.5
Other currency reserves	1.4	0.1	2.3	2.7	3.5	3.1	-11.5	0.1
<b>Total</b>	<b>527.8</b>	<b>733.0</b>	<b>989.8</b>	<b>2231.9</b>	<b>2214.0</b>	<b>2099.2</b>	<b>-5.2</b>	<b>100.0</b>

1 Differences in totals are due to rounding of figures.

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

3 Until 1997, only money market paper held by banks.

4 Domestic bank offices.

5 Excluding loans to subsidiaries, which are included in direct investment.

6 Since 2000, gold holdings have been stated at market value.

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### 3 Development and structure of foreign liabilities

The stock of foreign direct investment in Switzerland grew by CHF 25 billion to CHF 173 billion in 2002. This increase was almost exclusively due to foreign groups moving their headquarters to Switzerland or heavily expanding their Swiss base.

Swiss securities held by non-residents dropped by CHF 100 billion to CHF 486 billion. The lower stock market valuation of domestic shares resulted in equity securities declining by CHF 102 billion to CHF 437 billion. Debt securities, by contrast, grew by CHF 2 billion to CHF 49 billion.

Other foreign liabilities – primarily liabilities of banks – declined by CHF 26 billion to CHF 856 billion. This drop was mainly caused by the weaker US dollar, which accounts for almost half of the other foreign liabilities.

### 4 Composition by currency

The proportion of foreign assets denominated in Swiss francs advanced by two percentage points to 16% in 2002. All components of foreign assets recorded a rise in their Swiss franc share. At the beginning of the 1990s, this share was in the region of 30%. It then fell steadily to a low of 13% in 2000. The euro's share expanded from 28% to 30%, while the significance of the US dollar relative to total foreign assets remained virtually unchanged at 33%. The dollar's reduced share of direct and portfolio investment was offset by its larger share of other investment and international reserves. The other currencies lost some ground.

The Swiss franc's share of foreign liabilities diminished from 52% to 50% in 2002. This was due mainly to the lower valuation of Swiss franc-denominated securities investments and to the banks' switching their liabilities into US dollars and euros. The US dollar's share of foreign liabilities thus climbed from 25% to 27%, while the euro's share rose from 12% to 14%.

Composition of foreign liabilities in CHF billions<sup>1</sup>

Table 4

Total at year-end	1985	1990	1995	2000	2001 <sup>r</sup>	2002 <sup>p</sup>	Change against previous year in percent	Percentage share of total
<b>Direct investment<sup>2</sup></b>	<b>21.0</b>	<b>44.4</b>	<b>65.6</b>	<b>142.1</b>	<b>148.9</b>	<b>173.5</b>	<b>16.5</b>	<b>11.4</b>
<i>Equity capital</i>	20.6	44.9	64.9	139.6	148.7	169.4	13.9	11.2
<i>Loans</i>	0.4	-0.5	0.7	2.5	0.2	4.0	2314	0.3
<b>Portfolio investment</b>	<b>99.5</b>	<b>121.5</b>	<b>240.0</b>	<b>673.3</b>	<b>586.6</b>	<b>486.2</b>	<b>-17.1</b>	<b>32.1</b>
Debt securities	11.4	19.2	33.7	48.1	47.1	49.1	4.4	3.2
<i>Bonds</i>	11.4	19.2	33.7	47.2	46.5	47.8	2.9	3.2
<i>Money market paper</i>	na	na	na	0.9	0.6	1.3	124.3	0.1
Equity securities	88.1	102.3	206.3	625.2	539.6	437.0	-19.0	28.8
<i>Shares</i>	72.4	80.2	171.2	547.5	463.4	374.9	-19.1	24.7
<i>Investment fund certificates</i>	15.7	22.1	35.1	77.7	76.1	62.2	-18.3	4.1
<b>Other foreign liabilities</b>	<b>177.7</b>	<b>284.8</b>	<b>334.6</b>	<b>895.0</b>	<b>882.0</b>	<b>855.9</b>	<b>-3.0</b>	<b>56.5</b>
<i>of which</i>								
<i>loans to commercial banks<sup>3</sup></i>	123.5	172.2	207.5	690.9	667.0	647.9	-2.9	42.8
<i>loans to companies<sup>4</sup></i>	18.5	27.9	52.5	89.8	100.6	95.6	-5.0	6.3
<i>loans to government</i>	na	0.1	0.7	0.7	0.6	0.9	34.2	0.1
<i>loans to the National Bank</i>	0.1	0.1	0.0	0.6	2.1	0.7	-66.5	0.0
<b>Total</b>	<b>298.1</b>	<b>450.7</b>	<b>640.2</b>	<b>1710.4</b>	<b>1617.5</b>	<b>1515.5</b>	<b>-6.3</b>	<b>100.0</b>

1 Differences in totals are due to rounding of figures.

2 Foreign equity holdings of 10% or more in companies in Switzerland, claims and liabilities (net) vis-à-vis subsidiaries in Switzerland as well as net assets of branches in Switzerland.

3 Domestic bank offices.

4 Excluding loans to subsidiaries, which are included in direct investment.

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**Composition of foreign assets by currency in CHF billions<sup>1</sup>**

Table 5

Total at year-end	1999	2000	2001 <sup>r</sup>	2002 <sup>p</sup>	Change against previous year in percent	Percentage share of total
<b>Direct investment</b>						
CHF	10.0	4.7	9.4	9.3	-0.9	2.3
USD	71.4	94.3	101.1	84.1	-16.8	20.5
EUR	99.8	117.6	122.5	124.6	1.7	30.4
Other currencies	130.1	165.2	192.3	197.7	-0.1	46.8
Total	311.3	381.9	425.3	409.7	-3.6	100.0
<b>Portfolio investment</b>						
CHF	180.4	178.8	188.0	184.3	-2.0	25.5
USD	235.4	244.6	249.4	200.5	-19.6	27.8
EUR	236.3	269.2	283.4	270.3	-4.6	37.4
Other currencies	155.3	128.2	99.6	67.1	-32.6	9.3
Total	807.4	820.9	820.3	722.2	-12.0	100.0
<b>Other foreign assets</b>						
CHF	101.1	114.0	123.1	133.5	8.5	15.1
USD	342.0	386.3	354.0	390.8	10.4	44.3
EUR	157.0	187.9	183.8	192.5	4.7	21.8
Other currencies	186.3	249.2	215.4	159.2	-26.1	18.0
Precious metals	7.1	3.7	5.1	6.0	18.2	0.7
Total	793.5	941.3	881.4	882.0	0.1	100.0
<b>International reserves</b>						
CHF	-	-	-	-	-	-
USD	29.2	20.5	20.8	20.8	0.0	24.3
EUR	20.1	22.3	23.2	26.0	12.0	30.4
Other currencies	9.1	10.4	10.1	9.3	-8.0	10.9
Precious metals <sup>2</sup>	11.9	34.7	33.0	29.3	-11.0	34.4
Total	70.3	87.9	87.1	85.4	-1.9	100.0
<b>Total foreign assets</b>						
CHF	291.5	297.5	320.4	327.1	2.1	15.6
USD	678.0	745.7	725.2	696.1	-4.0	33.2
EUR	513.1	597.0	612.9	613.4	0.1	29.2
Other currencies	480.7	553.0	517.4	427.3	-17.4	20.4
Precious metals	19.0	38.5	38.1	35.4	-7.1	1.7
Total	1 982.5	2 231.9	2 214.0	2 099.2	-5.2	100.0

1 Differences in totals are due to rounding of figures. p provisional

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2 Since 2000, gold holdings have been stated at market value.

## Composition of foreign liabilities by currency in CHF billions<sup>1</sup>

Table 6

Total at year-end	1999	2000	2001 <sup>r</sup>	2002 <sup>p</sup>	Change against previous year in percent	Percentage share of total
<b>Direct investment</b>						
CHF	120.8	143.8	150.0	171.6	14.4	98.9
USD	0.8	-0.2	0.6	1.6	174.3	0.9
EUR	-0.1	-1.2	-1.5	-0.3	-81.4	-0.2
Other currencies	0.0	-0.3	-0.2	0.5	.	0.3
Total	121.6	142.1	148.9	173.5	16.5	100.0
<b>Portfolio investment</b>						
CHF	460.7	592.8	508.2	415.3	-18.3	85.4
USD	28.3	27.2	30.9	27.7	-10.2	5.7
EUR	35.7	37.1	35.7	33.9	-4.9	7.0
Other currencies	18.3	16.3	11.9	9.2	-22.5	1.9
Total	543.0	673.3	586.6	486.2	-17.1	100.0
<b>Other foreign liabilities</b>						
CHF	170.8	174.6	185.6	172.4	-7.1	20.1
USD	308.3	352.2	374.3	379.1	1.3	44.3
EUR	121.5	136.7	163.7	182.8	11.6	21.4
Other currencies	133.9	222.0	147.7	112.1	-24.2	13.1
Precious metals	10.9	9.5	10.7	9.5	-10.9	1.1
Total	745.4	895.0	882.0	855.9	-3.0	100.0
<b>Total foreign liabilities</b>						
CHF	752.3	911.2	843.8	759.3	-10.0	50.1
USD	337.5	379.2	405.7	408.5	0.7	27.0
EUR	157.0	172.6	197.9	216.4	9.4	14.3
Other currencies	152.3	238.0	159.4	121.8	-23.7	8.0
Precious metals	10.9	9.5	10.7	9.5	-10.9	0.6
Total	1 410.0	1 710.4	1 617.5	1 515.5	-6.3	100.0

<sup>1</sup> Differences in totals are due to rounding of figures.

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