Swiss Balance of Payments and International Investment Position 2014

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Swiss Balance of Payments and International Investment Position 2014

Volume 1

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1 Overview

INNOVATIONS

For the first time, the Swiss National Bank (SNB) is publishing the comments on the balance of payments and the international investment position in a combined annual report. This reflects the fact that the two sets of statistics are closely related.

The comments on the 2014 balance of payments and international investment position will, as hitherto, be available both in printed form and on the SNB website. The tables, methodological basis and explanatory notes – which were previously in the appendix to the report – will be removed from the print version and will appear for the first time on the SNB's new data portal, https://data.snb.ch/en. The data can now be accessed using interactive web tables.

Moreover, the 2014 balance of payments and international investment position feature two major innovations. First, since the first quarter of 2014, Switzerland's balance of payments and international investment position have been compiled according to the international standards of the IMF's *Balance of Payments and International Investment Position Manual*, 6th Edition. Among other things, this has resulted in changes to the terminology for some balance sheet items. The main changes are listed in the *Monthly Statistical Bulletin* for June 2014, and the new standards are now applied for the first time in the annual reporting.

Second, since the fourth quarter of 2014, the balance of payments and international investment position contain the complete results of the revised quarterly survey on cross-border capital linkages.[1] The SNB conducts this survey at 560 companies (groups) in Switzerland. The survey enables, in particular, improved recording of direct investment loans. In addition, it now also covers intragroup lending by insurance companies, thereby closing a statistical gap. Both changes primarily impact stocks in the international investment position, whereas the current account and the financial account are affected only marginally. Thus, for 2014, around one-third of the increase in assets and liabilities can be ascribed to this statistical effect.

1 Further information on the new survey can be found online at www.snb.ch, *Statistics, Revision of financial account surveys (investmentBOP)*.

CHANGES IN THE BALANCE OF PAYMENTS AND INTERNATIONAL INVESTMENT POSITION IN 2014

Summary

The current account surplus in 2014 amounted to CHF 47 billion, CHF 24 billion less than in the previous year. This was predominantly due to a lower surplus in investment income, which receded by CHF 14 billion to CHF 17 billion. The surplus of receipts from trade in goods and services also declined compared to the previous year, by CHF 2 billion to CHF 68 billion. In addition, secondary income (current transfers) registered an increase in net expenses of CHF 5 billion to CHF 17 billion.

The financial account recorded a surplus of CHF 54 billion. Net acquisition of financial assets amounted to CHF 28 billion (2013: CHF 115 billion), and was mainly attributable to a substantial net acquisition of reserve assets (CHF 34 billion). On the liabilities side of the financial account, by contrast, foreign investors sold more assets than they purchased, resulting in a net reduction of liabilities amounting to CHF 26 billion. This mainly affected commercial bank lending under the other investment item.

The financial account surplus was the main contributory factor in the growth of the net international investment position by CHF 58 billion to CHF 768 billion. By contrast, neither statistical changes nor valuation changes related to stock price and exchange rate movements had a major impact on the net international investment position, since both assets and liabilities were affected in roughly equal measure. Stocks of assets increased by CHF 351 billion to CHF 4,246 billion. More than half of this increase was due to valuation changes driven by movements in stock prices and exchange rates, while around one-third resulted from statistical changes relating to the introduction of the new survey on cross-border capital linkages. The strongest rise on the assets side was recorded by direct investment, which grew by CHF 141 billion to CHF 1,447 billion, primarily as a result of the statistical changes. Stocks of liabilities were up CHF 293 billion to CHF 3,478 billion, despite foreign disinvestment. Half of the rise was attributable to valuation changes, and half to statistical changes. On the liabilities side, too, the largest increase was recorded by direct investment stocks (up CHF 172 billion to CHF 1,094 billion).

Current account

The receipts surplus from foreign trade in goods amounted to CHF 49 billion. According to the foreign trade statistics (foreign trade total 1 of the Federal Customs Administration – FCA), the receipts surplus grew by CHF 6 billion to CHF 30 billion. Exports rose by 4% while imports increased by 1%. Net receipts from merchanting expanded by CHF 2 billion to CHF 25 billion. As regards trade in non-monetary gold, exports and imports balanced each other out, following a net surplus of CHF 8 billion one year earlier.

The receipts surplus from trade in services declined year-on-year by CHF 2 billion to CHF 18 billion. Although receipts rose from CHF 106 billion to CHF 108 billion, expenses increased over the same period from CHF 86 billion to CHF 90 billion; there was variation across the different components. The main component of receipts – financial services – fell by 2%; receipts from licence fees were also down, by 4%. By contrast, tourism receipts recorded a rise of 3%, while receipts from business services were up by 7%. There was also growth in receipts for telecommunications, computer and information services, which were up by 14%. The regional breakdown of services exports (excluding tourism), which was published for the first time, shows that the main recipient was the US, followed by Germany.

At CHF 90 billion, expenses for services imports exceeded the previous year's figure by CHF 4 billion. The main component – business services – rose by 6%, while tourism expenses were up 5%. The telecommunications, computer and information services category, and the financial services category, each saw expenses increase by 5% year-on-year. Expenses for transport, however, declined (by 3%). The regional breakdown of services expenses (excluding tourism) is similar to that for receipts: Most services were obtained from the US, followed once again by Germany.

As regards primary income (labour and investment income), in a change to the established pattern, expenses were higher than receipts. The result was an expenses surplus of CHF 4 billion, compared with a receipts surplus of CHF 12 billion in the previous year. Capital receipts from abroad rose by CHF 7 billion overall, to CHF 116 billion. The higher receipts stemmed from direct investment, portfolio investment and reserve assets. Income from foreign investment in Switzerland (expenses) recorded strong growth, rising by CHF 22 billion to CHF 99 billion. This was primarily due to higher income from direct investment (up CHF 19 billion). Expenses for portfolio investment also rose. The expenses surplus on labour income increased by CHF 1 billion to CHF 20 billion.

Secondary income recorded an expenses surplus of CHF 17 billion, a rise of CHF 5 billion compared to the previous year.

Financial account

The net acquisition of financial assets amounted to CHF 28 billion in 2014, compared to CHF 115 billion one year earlier. Swiss companies invested CHF 15 billion abroad in the form of direct investment (2013: CHF 9 billion). In addition, domestic investors purchased foreign-issued securities in the amount of CHF 8 billion (2013: CHF 19 billion) – predominantly equity securities. Reserve assets recorded a net acquisition of financial assets of CHF 34 billion. Other investment, by contrast, saw a net reduction of assets amounting to CHF 29 billion (2013: net acquisition of assets of CHF 73 billion), largely as a result of commercial banks reducing their lending to banks abroad.

On the liabilities side of the financial account, a net reduction of CHF 26 billion was recorded (2013: net acquisition of assets of CHF 12 billion). This reduction was mainly attributable to cross-border interbank business, which drove the CHF 48 billion net reduction in other investment (2013: net acquisition of CHF 30 billion). As regards direct investment, however, foreign companies invested CHF 20 billion in Swiss subsidiaries, following disinvestment in the amount of CHF 21 billion one year earlier.

International investment position

In the international investment position, stocks of foreign assets increased by CHF 351 billion to CHF 4,246 billion compared to the previous year. More than half of this increase was due to valuation changes driven by movements in stock prices and exchange rates, while around one-third resulted from statistical changes relating to the introduction of the new survey on cross-border capital linkages. The strongest rise was recorded by direct investment, which grew by CHF 141 billion to CHF 1,447 billion as a result of both purchases and statistical changes. Portfolio investment stocks increased by CHF 82 billion to CHF 1,240 billion, mainly due to valuation changes. Derivatives and other investment also recorded growth.

Stocks of foreign liabilities were up by CHF 293 billion to CHF 3,478 billion. Half of the increase was attributable to valuation changes, and half to statistical changes. On the liabilities side – as on the assets side – the largest increase was recorded by direct investment stocks, which were up by CHF 172 billion to CHF 1,094 billion. Stocks of portfolio investment also grew (by CHF 117 billion to CHF 1,144 billion), as did stocks of derivatives (up CHF 47 billion to CHF 147 billion). Other investment declined by CHF 43 billion to CHF 1,093 billion.

Table 1

SWISS BALANCE OF PAYMENTS – OVERVIEW

In CHF millions

	2010	2011	2012	2013	2014
Current account, net	**89 935**	**47 369**	**64 346**	**70 776**	**46 909**
Receipts	543 706	528 787	561 660	597 421	562 539
Expenses	453 770	481 419	497 314	526 644	515 630
Goods and services, net	**62 293**	**48 167**	**59 296**	**70 300**	**67 788**
Receipts	386 851	402 450	414 290	452 451	408 586
Expenses	324 558	354 283	354 994	382 150	340 798
Goods, net	**35 659**	**26 111**	**37 789**	**49 931**	**49 499**
Receipts	288 010	306 872	311 952	346 436	300 117
Foreign trade	267 576	286 460	292 958	332 137	285 179
Of which foreign trade total 1[1]	193 480	197 907	200 612	201 213	208 357
Of which non-monetary gold	63 008	76 330	79 379	117 679	64 970
Supplements to foreign trade[2]	–7 281	–7 189	–7 920	–9 047	–10 181
Merchanting	27 715	27 601	26 914	23 345	25 120
Expenses	252 350	280 761	274 164	296 505	250 618
Foreign trade	256 240	283 972	277 544	298 394	252 505
Of which foreign trade total 1[1]	173 991	174 388	176 781	177 642	178 605
Of which non-monetary gold	70 789	96 050	88 804	109 788	65 154
Supplements to foreign trade[2]	–3 889	–3 211	–3 380	–1 890	–1 886
Services, net	**26 634**	**22 056**	**21 507**	**20 369**	**18 289**
Receipts	98 841	95 578	102 337	106 015	108 469
Expenses	72 208	73 522	80 830	85 646	90 180
Primary income, net	**36 723**	**7 028**	**13 218**	**12 169**	**–3 919**
Receipts	130 070	97 704	113 390	110 981	118 090
Expenses	93 347	90 675	100 172	98 812	122 009
Labour income, net	**–14 965**	**–16 802**	**–18 331**	**–19 321**	**–20 450**
Receipts	2 596	2 318	2 265	2 259	2 150
Expenses	17 561	19 120	20 596	21 580	22 600
Investment income, net	**51 688**	**23 830**	**31 548**	**31 490**	**16 531**
Receipts	127 474	95 385	111 124	108 722	115 940
Expenses	75 786	71 555	79 576	77 232	99 409
Secondary income, net	**–9 081**	**–7 827**	**–8 167**	**–11 693**	**–16 960**
Receipts	26 784	28 634	33 980	33 989	35 863
Expenses	35 865	36 461	42 148	45 682	52 823

Capital transfers, net	**–4 641**	**–8 407**	**–2 203**	**675**	**–10 108**
Receipts	359	483	345	1 694	445
Expenses	5 000	8 890	2 548	1 019	10 553

In CHF millions

	2010	2011	2012	2013	2014
Financial account (excluding derivatives), net	**114 428**	**28 230**	**89 110**	**102 302**	**54 225**
Net acquisition of financial assets	166 790	86 649	200 512	114 679	28 145
Net incurrence of liabilities	52 363	58 419	111 402	12 376	–26 079
Direct investment, net	**58 723**	**17 500**	**25 616**	**30 397**	**–4 688**
Net acquisition of financial assets	76 979	39 186	49 858	9 490	15 389
Net incurrence of liabilities	18 256	21 686	24 242	–20 907	20 077
Portfolio investment, net	**–32 522**	**12 810**	**–16 896**	**15 770**	**6 172**
Net acquisition of financial assets	–8 251	–6 992	–4 490	19 337	7 888
Net incurrence of liabilities	24 271	–19 802	12 407	3 567	1 716
Other investment, net	**–49 574**	**–44 708**	**–94 200**	**43 194**	**18 780**
Net acquisition of financial assets	–39 740	11 827	–19 446	72 909	–29 093
Net incurrence of liabilities	9 835	56 535	74 754	29 716	–47 872
Reserve assets, net	**137 802**	**42 628**	**174 591**	**12 943**	**33 961**
Derivatives, net	**257**	**–491**	**–1 485**	**–779**	**–143**
Statistical difference	**29 391**	**–11 223**	**25 482**	**30 072**	**17 281**

1 Foreign trade according to Federal Customs Administration (FCA).
2 Additions: unchecked goods trade, small consignments, goods procured in ports. Subtractions: manufacturing services on physical inputs owned by others, returned goods, CIF/FOB adjustment on imports.

Source: SNB

Table 2

SWITZERLAND'S INTERNATIONAL INVESTMENT POSITION – OVERVIEW

In CHF millions

	2010	2011	2012	2013	2014
Assets	**3 472 518**	**3 607 415**	**3 861 173**	**3 894 734**	**4 246 125**
Direct investment	1 206 171	1 284 229	1 350 943	1 306 295	1 447 024
Portfolio investment	1 090 109	1 054 714	1 123 427	1 158 151	1 239 877
Derivatives	135 726	151 741	128 297	105 012	149 445
Other investment	788 067	805 338	773 505	847 911	868 578
Reserve assets	252 446	311 394	485 001	477 364	541 201
Liabilities	**2 679 330**	**2 774 412**	**3 069 747**	**3 184 613**	**3 477 782**
Direct investment	835 018	919 134	962 905	921 662	1 093 959
Portfolio investment	728 329	655 725	869 385	1 026 491	1 143 792
Derivatives	134 538	155 083	126 088	100 268	147 485
Other investment	981 446	1 044 470	1 111 369	1 136 192	1 092 546
Net international investment position	**793 188**	**833 003**	**791 426**	**710 121**	**768 343**
Direct investment	371 153	365 095	388 037	384 633	353 065
Portfolio investment	361 781	398 989	254 042	131 661	96 085
Derivatives	1 188	–3 343	2 209	4 744	1 960
Other investment	–193 380	–239 133	–337 864	–288 282	–223 968
Reserve assets	252 446	311 394	485 001	477 364	541 201

Source: SNB

GOLD TRADE

At the end of the 2014 report on the balance of payments and international investment position, there is a special report on the gold trade. It discusses gold imports and exports by gold trading countries in 2013, and describes the Swiss players in the gold business. It also looks at changes in Swiss gold imports and exports between 1984 and 2014, and analyses investor behaviour following the onset of the financial crisis. Finally, the report describes how the gold trade has been reported in the balance of payments to date, and the impact of changes in reporting practice.

2
Balance of payments

CURRENT ACCOUNT

The major current account components – trade in goods and services, as well as primary income, i.e. income from direct investment, portfolio investment, other investment, reserve assets and labour income – are mainly influenced by domestic and foreign economic developments and the situation on the financial markets. Until 2010, the current account was largely determined by primary income; since then, however, trade in goods has played the most dominant role. Of the primary income components, income from direct investment is subject to the strongest fluctuations. Significant fluctuations also characterise trade in goods, which, besides foreign trade (an item heavily dependent on the state of the economy) also comprises non-monetary gold trade and merchanting. Trade in gold, in particular, exhibits high volatility. As regards services, the current account is most strongly impacted by changes in the areas of tourism, financial services, licence fees and business services. Secondary income (current transfers) typically runs an expenses surplus, since in both the public and private sector, expenses outweigh receipts.

The current account balance registered a low in 2008, when, as a result of the financial crisis, primary income showed an expenses surplus. Trade in goods has recorded increasing surpluses since 2011, while net primary income has declined overall since 2010, and moved again into negative territory, albeit slightly, in 2014. The rise in the surplus on goods was mainly due to foreign trade total 1. Developments in primary income were driven by net income from direct investment. The surplus on trade in services has declined over the last seven years. The expenses surplus on secondary income has increased since 2011.

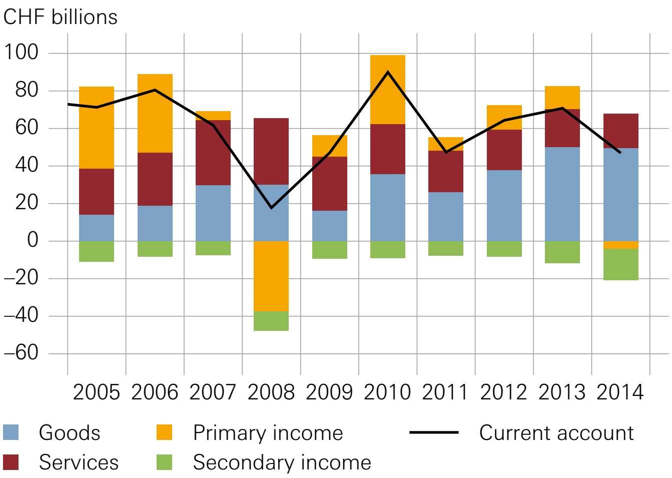
Between 2008 and 2014, the current account balance ranged between CHF 18 billion and CHF 90 billion. In the year under review, it amounted to CHF 47 billion, or 7% of GDP.

GOODS

Trade in goods as defined in the balance of payments is made up of different components: foreign trade, merchanting and supplements to foreign trade. Foreign trade total 1, as defined by the Federal Customs Administration (FCA), is mainly influenced by domestic and foreign economic conditions and by exchange rates. Movements in gold trade as well as other foreign trade, which is determined by trade in precious stones and gems, can be affected by considerable fluctuations in quantity and price. Similarly, merchanting is largely driven by the global economic situation and foreign demand for raw materials and, linked to this, the price of the goods traded. Merchanting refers to international goods trade in which companies based in Switzerland purchase goods on the world market and resell them abroad, without the goods ever being imported into or exported from Switzerland. These goods include raw materials – especially energy sources – but also semi-manufactured goods and finished products. In the current account, net receipts from merchanting are booked as receipts from goods trade. Together with supplements to foreign trade, the data from the foreign trade statistics according to the FCA are recorded as goods trade in the balance of payments; unchecked goods trade, small consignments, goods procured in ports, and trade in ships are added to this. By contrast, exports and imports related to

Chart 1

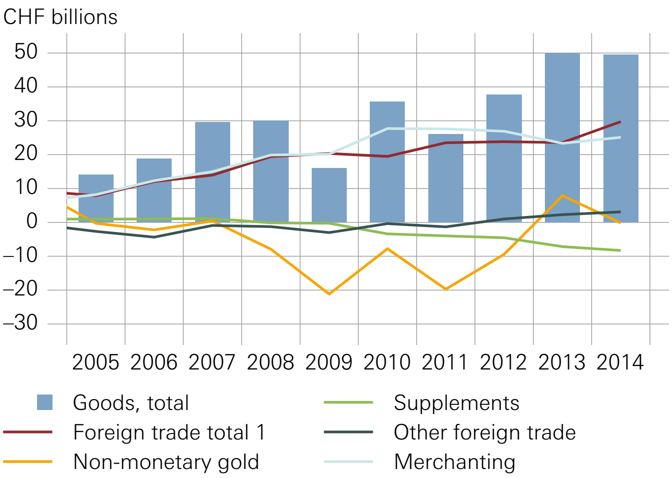
CURRENT ACCOUNT, NET



Source: SNB

Chart 2

GOODS, NET



Sources: FCA, SNB

manufacturing services on physical inputs owned by others, as well as returned goods, are deducted. Both imports and exports are reported as 'Free on Board' (FOB) estimates. By contrast, in the foreign trade statistics, imports are declared as 'Cost Insurance Freight' (CIF).

Movements in the goods trade balance within the balance of payments are generally determined by gold trade, which occasionally recorded very considerable negative values between 2005 and 2012. By contrast, a surplus was registered in 2013. In 2014, exports and imports were almost level. The surplus on foreign trade total 1 has increased in the last ten years from CHF 8 billion to CHF 30 billion. Similarly, net income from merchanting has risen in the same period from CHF 8 billion to CHF 25 billion.

According to the foreign trade statistics of the FCA, the most important market for Swiss products was Germany, with a share of around 20%, followed by the US, with about 10%. Other significant markets were France and Italy, at approximately 7% each. On the import side, about one-third of goods came from Germany, with France and Italy accounting for 10% each. In recent years, Switzerland has registered an import surplus vis-à-vis both the EU and Germany, its most important trading partner, and an export surplus against the US and Asia.

Table 3

2014 FOREIGN TRADE TOTAL 1, BY ECONOMIC AREA

	Exports In CHF billions	Imports In CHF billions	Exports Year-on-year change in percent	Imports Year-on-year change in percent	Net In CHF billions
EU[1]	114.0	130.6	3.2%	–1.0%	–16.5
Of which Germany	38.6	51.3	2.8%	–0.9%	–12.6
Of which France	15.0	14.4	5.8%	–2.3%	0.6
Of which Italy	13.8	17.6	–5.1%	–3.3%	–3.9
United States	25.9	10.9	11.1%	11.0%	15.0
Asia	45.3	27.6	3.0%	6.6%	17.9
Of which China	8.8	12.1	7.4%	6.7%	–3.3
Latin America	6.6	2.8	–2.2%	–1.8%	3.8
Others	16.6	6.7			9.8
Total	**208.4**	**178.6**	**3.6%**	**0.5%**	**30.0**

1 Until 2013: EU27; as of 2014: EU28

Source: FCA

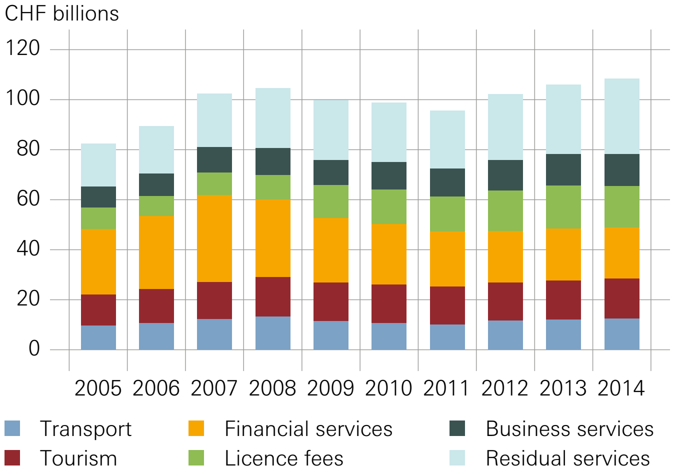
SERVICES

Although the significance of financial services within exports of services has declined continually since 2007, at around 19% (2014), it is still the most important component. The share of tourism receipts has remained relatively stable at 15% in recent years, as has that of business services (13%), which comprise consulting services as well as technical and trade-related services. Exports of transport services have also remained almost unchanged over the same period, at 12%. By contrast, receipts from licence fees have shown an upward trend, rising from 9% in 2006 to 15% in 2014. Residual services comprise the following: manufacturing services on physical inputs owned by others; maintenance and repair services; construction services; insurance and pension services; telecommunications, computer and information services; research and development services; and other services. Within this group, significant growth was recorded in receipts from research and development services, up from 1% in 2007 to 3% in 2014, and telecommunications, computer and information services, which increased from 7% to 11% during the same period. There were no major changes in the other components.

In contrast to exports of services, the largest component on the import side is business services, which accounted for 23% in 2014. Tourism, at 17%, was slightly higher on the import than on the export side, but has remained relatively stable in recent years. Similarly, imports of transport services, at 13%, were slightly higher than exports, while also remaining stable overall during the same period. Licence fees, at 14% in 2014, were somewhat lower on the import than on the export side, but have been trending upwards, having gained 7% since 2006. The share of financial services contracted from 10% to 4% between 2008 and 2014. The remaining components within residual services also showed little or no change in recent years.

Chart 3

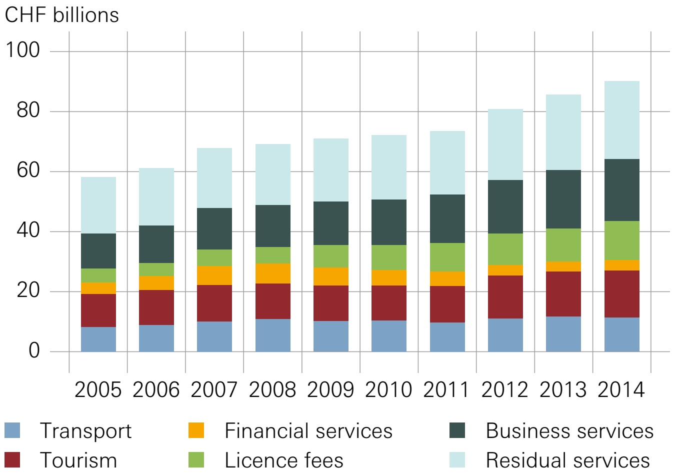
EXPORTS OF SERVICES



Source: SNB

Chart 4

IMPORTS OF SERVICES



Source: SNB

Following a slight decline from 2008 to 2011, the absolute value of services exports has increased continually – as has that of services imports. In particular, growth has been recorded in business services, licence fees, and telecommunications, computer and information services, while financial services, transport, and insurance and pension services tended to stagnate. On the import side, all major categories registered increases in expenses, especially for business services and licence fees.

The most important markets for services exports were the US, followed by Germany. This was true for service imports, as well.

Table 4

2014 TRADE IN SERVICES, BY ECONOMIC AREA[1]

	Exports In CHF billions	Imports In CHF billions	Exports Year-on-year change in percent	Imports Year-on-year change in percent	Net In CHF billions
EU[2]	41.4	39.1	2.6%	4.8%	2.3
Of which Germany	10.4	10.7	6.6%	3.8%	–0.3
Of which France	5.2	5.3	0.6%	–3.1%	–0.1
Of which Italy	3.1	2.2	–12.9%	5.9%	1.0
United States	16.3	17.3	13.4%	12.6%	–1.0
Asia	11.8	8.3	4.7%	–8.3%	3.5
Of which China	2.2	1.3	1.0%	–17.9%	0.9
Latin America	3.1	1.2	–1.9%	0.9%	1.9
Others	19.9	8.5	–6.7%	10.8%	11.3
Total[1]	**92.5**	**74.4**	**2.2%**	**5.4%**	**18.0**

1 Excluding tourism
2 Until 2013: EU27; as of 2014: EU28

Source: SNB

PRIMARY INCOME

Labour income

Labour income from abroad (receipts) mainly consists of the salary and wage payments to Swiss residents employed by international organisations in Switzerland. International organisations are considered to be extraterritorial areas. Salaries and wages to other countries (expenses) represent the remuneration of foreign cross-border commuters. Receipts from labour income have remained almost unchanged in recent years, and comprised just 10% of expenses in 2014. Salaries and wages to other countries continued to rise as a result of higher numbers of foreign cross-border commuters and amounted to CHF 23 billion in 2014.

Investment income

Movements in receipts from investment abroad and expenses on foreign investment in Switzerland depend, on the one hand, on the level of capital stocks; this is reported in the international investment position. On the other hand, interest rates, corporate earnings and exchange rates also play a central role. In the international investment position, assets (stocks abroad) are substantially higher than liabilities (stocks in Switzerland) for both direct investment and portfolio investment. Consequently, receipts generally exceed expenses in both components. Receipts from other investment are determined by the interest on the claims and liabilities of banks and non-financial companies. Bank claims and liabilities abroad fluctuate considerably, although these fluctuations are roughly synchronous. Receipts and expenses in these items thus vary substantially.

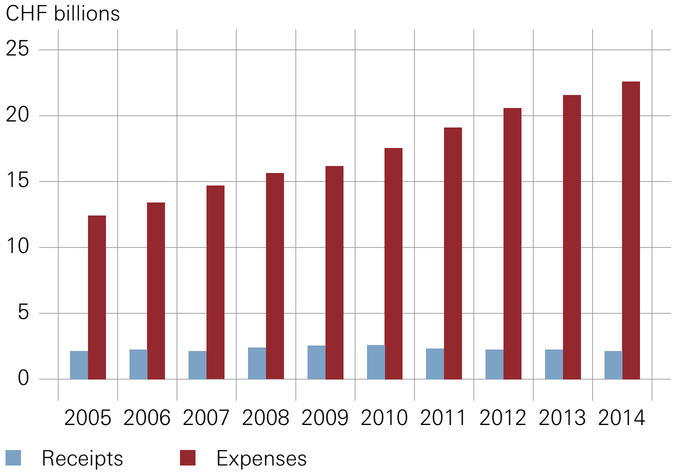
As a rule, income from direct investment drives movements in investment income on assets and liabilities abroad. Over the last ten years, movements in income have largely been influenced by company earnings, and less so by capital stocks. It should be noted, however, that direct investment stocks are stated at book value, not at market value.

From 2005 to 2014, receipts from investment abroad ranged between CHF 94 billion and CHF 149 billion, totalling CHF 116 billion in 2014. Income from direct investment, in particular, fluctuated strongly. In 2008, for example, losses by banks' foreign subsidiaries led to the exceptionally low income level of CHF 11 billion. In 2014, income from direct investment amounted to CHF 69 billion. Income from portfolio investment has remained almost unchanged in recent years, at an average of CHF 29 billion. Income from other investment has decreased from CHF 50 billion in 2007 to CHF 7 billion in 2014. By contrast, income from reserve assets has increased continually since 2008, alongside a substantial expansion of reserve assets. At CHF 10 billion, the share of reserve assets in total receipts amounted to 8% in 2014, compared to 2% in 2008.

Expenses on investment in Switzerland fluctuated between CHF 72 billion and CHF 131 billion in the period from 2005

Chart 5

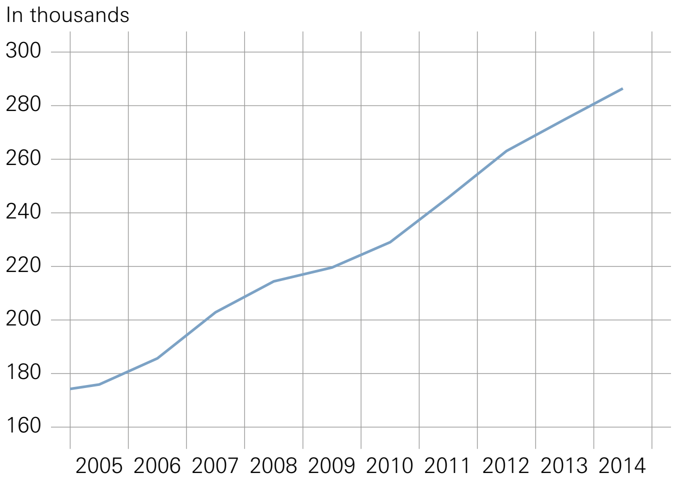
LABOUR INCOME



Source: SNB

Chart 6

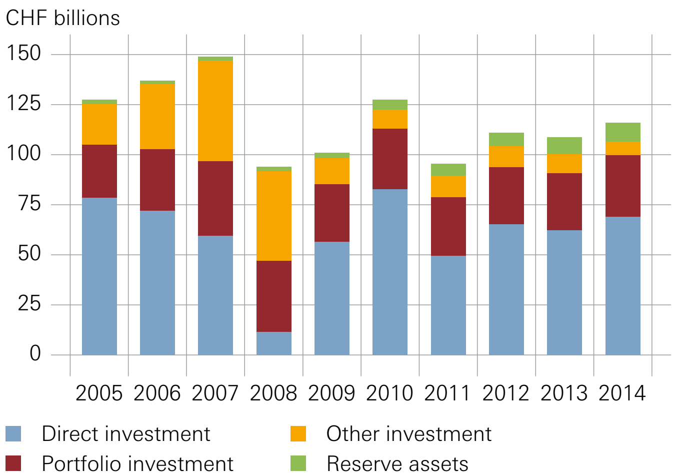
CROSS-BORDER COMMUTERS



Source: Swiss Federal Statistical Office

Chart 7

INVESTMENT INCOME, RECEIPTS



Source: SNB

to 2014. Income from portfolio investment (expenses) rose gently but steadily to CHF 30 billion, following a brief dip in 2009. By contrast, income from direct investment showed continual fluctuations. In 2014, it amounted to CHF 59 billion. Income from other investment (expenses) increased from CHF 21 billion in 2005 to CHF 52 billion in 2007, before falling again by a similar amount; in 2014, finally, it totalled CHF 10 billion.

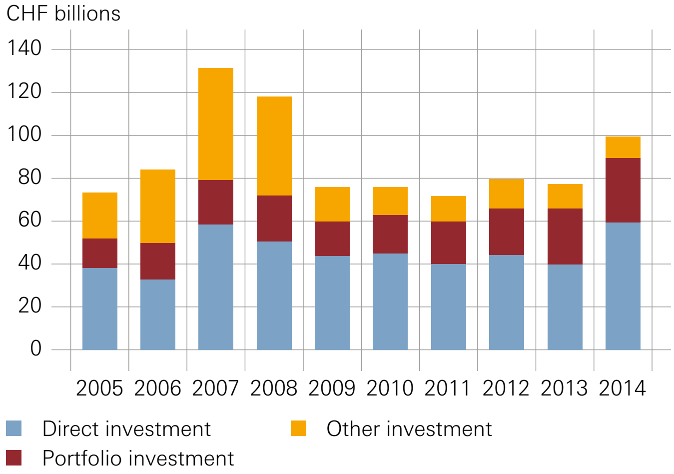
SECONDARY INCOME

On both the receipts and the expenses side, movements in secondary income (current transfers) are driven by private insurance companies (private transfers). Premium income earned by insurance companies (excluding the service component) is shown under receipts, and claims payments under expenses. A significant item under expenses for private transfers is transfers by immigrants to their home countries. Public transfers cover contributions to Swiss social security schemes received from abroad, pension payments to other countries, and public sector receipts and expenses. The receipts side consists mainly of taxes and fees, while the most important elements on the expenses side are transfers to international organisations.

Both receipts and expenses have risen overall since 2010. Transfers by the public sector have also increased, as have private transfers. Growth has been consistently stronger on the expenses than on the receipts side.

Chart 8

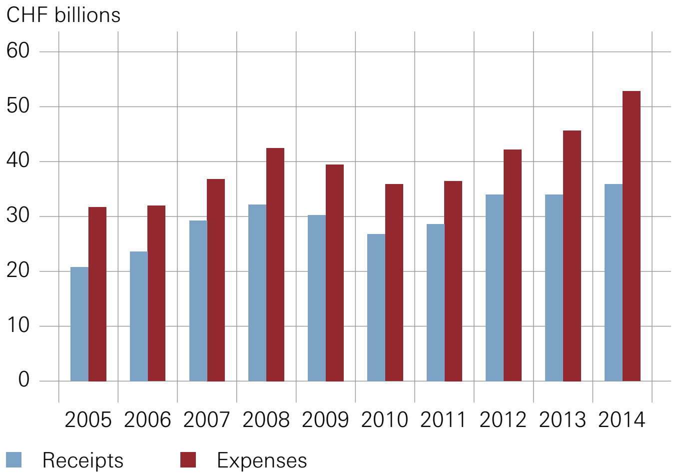
INVESTMENT INCOME, EXPENSES



Source: SNB

Chart 9

SECONDARY INCOME



Source: SNB

CAPITAL TRANSFERS

Capital transfers include trade in non-produced, non-financial assets, for example purchases and sales of franchises and trademarks, as well as other capital transfers, for example debt forgiveness, payments of compensation, guarantees and inheritances. In recent years, capital transfers have been dominated by expenses for non-produced, non-financial assets. These expenses can be subject to significant fluctuations. Other capital transfers – mainly expenses of the Swiss Confederation for economic development cooperation – are considerably lower.

FINANCIAL ACCOUNT

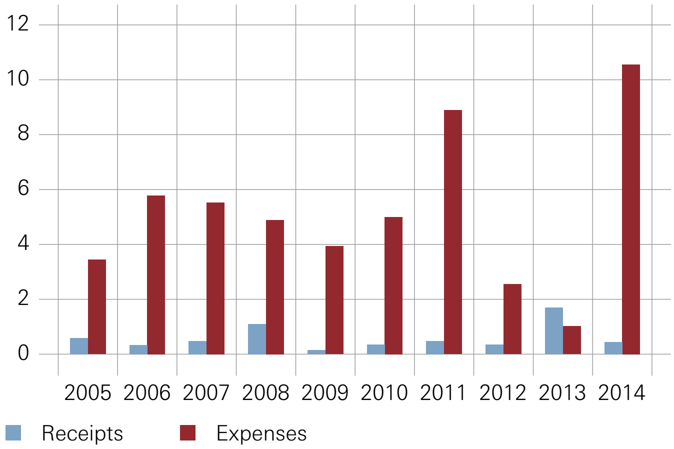
Over the last ten years, as a general rule, the financial account has shown a higher net acquisition of financial assets than net incurrence of liabilities. The balance of net acquisition of financial assets and incurrence of liabilities corresponds to the increase in the net international investment position resulting from cross-border investment. It is also a reflection of the traditional receipts surplus in the current account. This resulted from the savings surplus of the Swiss economy.

Until 2008, the financial account balance was dominated by net acquisitions of assets/incurrences of liabilities in direct investment and portfolio investment. Since then, the direction and size of all components have shown significant fluctuations. As a rule, other investment is dominated by commercial banks' foreign lending and deposit business. Since 2008, the SNB's transactions have also played a key role. While the reserve assets did not influence the financial account to any great extent until 2008, this changed as of 2009, when the SNB began purchasing large amounts of foreign currency, making a major contribution to net acquisition of financial assets. In 2014, the net acquisition in this category amounted to CHF 34 billion.

Chart 10

CAPITAL TRANSFERS

CHF billions

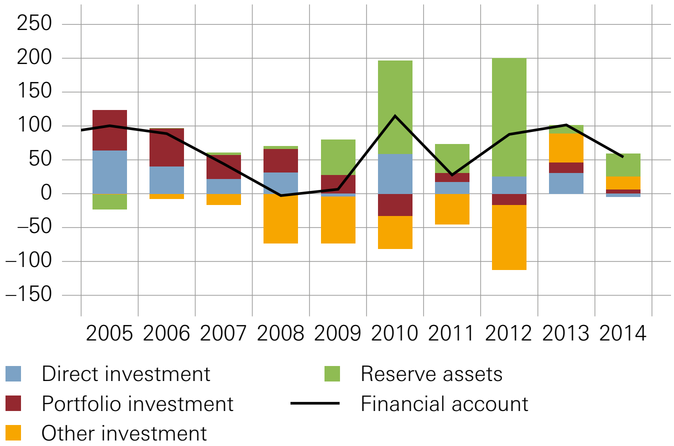


Source: SNB

Chart 11

FINANCIAL ACCOUNT, NET

CHF billions



Source: SNB

DIRECT INVESTMENT

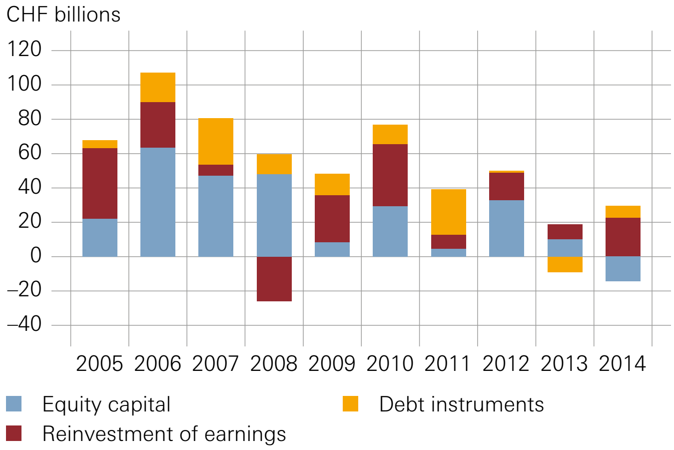
Direct investment covers intragroup capital relationships between companies in Switzerland and their participations and investors abroad. As a rule, a direct investment is categorised as such if an investor owns at least 10% of the voting stock of a company abroad, or sets up a foreign subsidiary or branch. Investment can take the form of equity capital (establishment of new companies, acquisitions, increasing capital in existing subsidiaries), reinvestment of earnings or loans. The focus of investing companies is, on the one hand, the long-term interest in the investment and, on the other hand, the influence on the business activities of the acquired company. These two criteria distinguish direct investment from portfolio investment. The underlying motivation for direct investment is to open up new markets. Obtaining access to resources (labour, capital and land) and technology, as well as different production costs in Switzerland and abroad, are also important to the investment decision. For direct investment in the finance and holding companies category, tax aspects play a particularly important role. In this category, the development of direct investment often depends on company-specific factors.

In 2006, direct investment reached a record high of over CHF 100 billion in net acquisition of financial assets, primarily as a result of high acquisitions in manufacturing. In subsequent years, investment activity by Swiss companies declined significantly as a result of the financial crisis. The main cause of this was losses recorded by banks and insurance companies. Since 2006, direct investment has registered a steep downward trend. Accompanied by continuing fluctuation, it amounted to CHF 15 billion in 2014.

For direct investment, net incurrence of liabilities has been characterised by high volatility over the last ten years. A peak of CHF 67 billion was posted in 2006, whereas a net reduction of CHF 21 billion was registered in 2013. In 2014, with investment of CHF 20 billion, the level was only slightly below the average for the last ten years (CHF 25 billion).

Chart 12

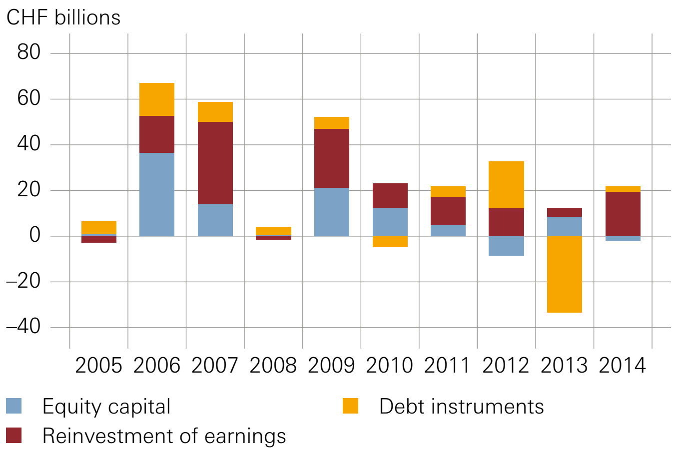
DIRECT INVESTMENT: NET ACQUISITION OF FINANCIAL ASSETS



Source: SNB

Chart 13

DIRECT INVESTMENT: NET INCURRENCE OF LIABILITIES



Source: SNB

PORTFOLIO INVESTMENT

Portfolio investment covers the debt securities (bonds and money market instruments) and equity securities (shares and collective investment schemes) that are not included under direct investment or reserve assets. Over half of portfolio investment abroad is held in debt securities.

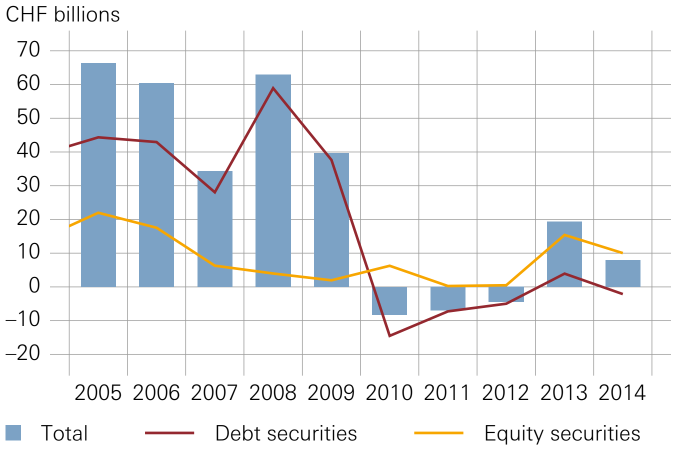
For portfolio investment, net acquisition of financial assets (purchases of foreign-issued securities by domestic investors) is generally considerably greater than net incurrence of liabilities (purchases of domestic securities by foreign investors). This is related, on the one hand, to the savings surplus in Switzerland, and, on the other, to the relatively low issue volumes on the domestic capital market.

Until 2010, domestic investors mainly purchased foreign-issued debt securities. Between 2010 and 2012 for the first time, Swiss investors sold considerably more foreign-issued securities than they bought, resulting in a net reduction of financial assets. Investment recovered over the subsequent two years. In contrast to earlier years, however, purchases of equity securities dominated. This is likely to be a result of low interest rates. In 2014, domestic investors purchased of foreign-issued securities to the value of CHF 8 billion.

In contrast to domestic investors, foreign investors mainly channel their funds in Switzerland into shares. Between 2008 and 2012, the net incurrence of liabilities was subject to strong fluctuations. The high level of equity securities in 2008 was related to the fact that the Swiss big banks increased their borrowing. Developments in debt securities between 2010 and 2011 were largely the result of purchases of SNB Bills that were repaid or repurchased a year later. In the last three years, investment has normalised, once again reaching its pre-crisis level. Purchases of equity securities and sales of debt securities resulted in a net incurrence of liabilities amounting to CHF 2 billion in 2014.

Chart 14

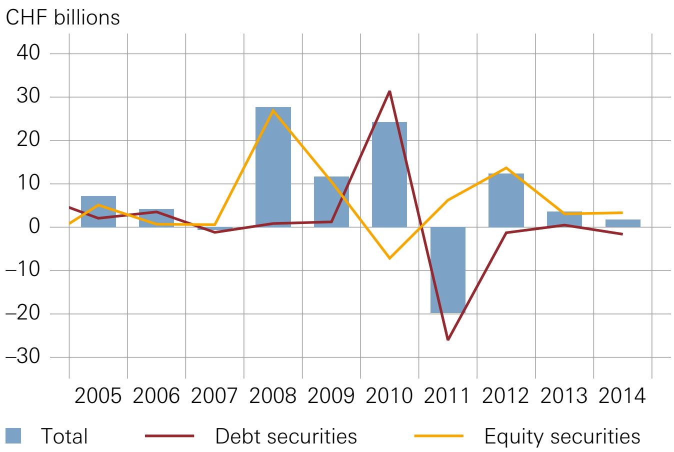
PORTFOLIO INVESTMENT: NET ACQUISITION OF FINANCIAL ASSETS



Source: SNB

Chart 15

PORTFOLIO INVESTMENT: NET INCURRENCE OF LIABILITIES



Source: SNB

OTHER INVESTMENT

Other investment is divided into currency and deposits, loans, and other net acquisition of financial assets/net incurrence of liabilities. Both the 'currency and deposits' and 'loans' categories are broken down by sector according to the national accounts: Swiss National Bank, banks, public sector and other sectors. Other investment is dominated by the banks.

The 'banks' sector is primarily used to record transactions with banks and customers abroad, with interbank business predominant. Up to 2007, banks expanded their claims abroad (net acquisition of financial assets) and liabilities abroad (net incurrence of liabilities) considerably. However, in 2008 these were substantially reduced in connection with the financial crisis. This decline continued in the years thereafter, meaning that stocks of assets and liabilities in cross-border interbank business have fallen by more than half since 2007. Since 2008, lending and deposit business with customers abroad has resulted in a high inflow of customer deposits (net incurrence of liabilities). In 2009, it was over CHF 100 billion. This inflow was partly attributable to a shift from fiduciary investments abroad to bank deposits in Switzerland. In 2014, net incurrence of liabilities was relatively low (CHF 13 billion).

'Other investment: corporates' covers transactions carried out by a company that is not included under direct investment or portfolio investment. Intragroup lending transactions by finance companies excluding banks are particularly significant. In 2014, a net reduction was recorded for both assets and liabilities.

'Other investment: Swiss National Bank' includes the SNB's claims and liabilities in connection with swap and repo transactions, as well as the remaining claims and liabilities with respect to central banks and other foreign banks that are not included under reserve assets. Banknotes held by people abroad are also included under net incurrence of liabilities. Until 2006, the extent of the SNB's transactions was minor. High net growth of assets and liabilities resulted from the 2008 financial crisis. However, these were rapidly reduced again. In 2014, net acquisition of financial assets was CHF 6 billion and net incurrence of liabilities was CHF 15 billion.

Table 5

OTHER INVESTMENT

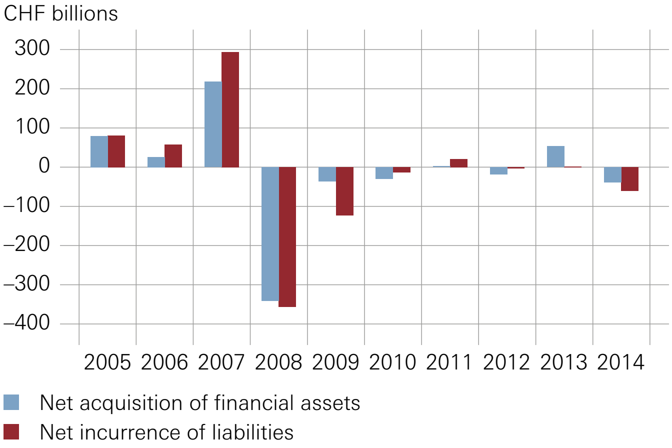
In CHF billions

	2012	2013	2014
Net acquisition of financial assets (claims)	**–19.4**	**72.9**	**–29.1**
Currency and deposits	–38.8	64.5	–29.7
Of which banks	–18.9	53.4	–34.4
Of which other sectors	–9.9	8.1	–1.7
Loans	19.5	8.4	1.3
Of which banks	17.5	15.2	6.4
Of which other sectors	2.0	–6.8	–5.1
Other net acquisition of financial assets	–0.1	–0.0	–0.7
Net incurrence of liabilities	**74.8**	**29.7**	**–47.9**
Currency and deposits	74.6	36.1	–32.9
Of which banks	55.2	31.7	–46.9
Of which other sectors	0.5	0.1	–1.6
Loans	3.0	–2.7	–11.3
Of which banks	–	–	–
Of which other sectors	3.2	–2.5	–11.2
Other net incurrence of liabilities	–2.8	–3.6	–3.6

Source: SNB

Chart 16

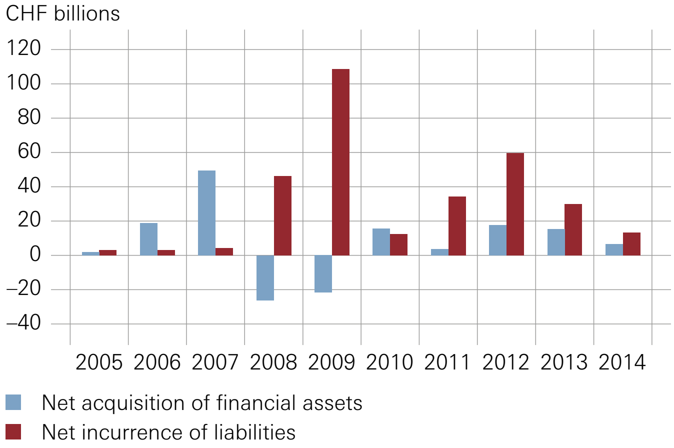
OTHER INVESTMENT: BANKS, CLAIMS AGAINST AND LIABILITIES TOWARDS BANKS



Source: SNB

Chart 17

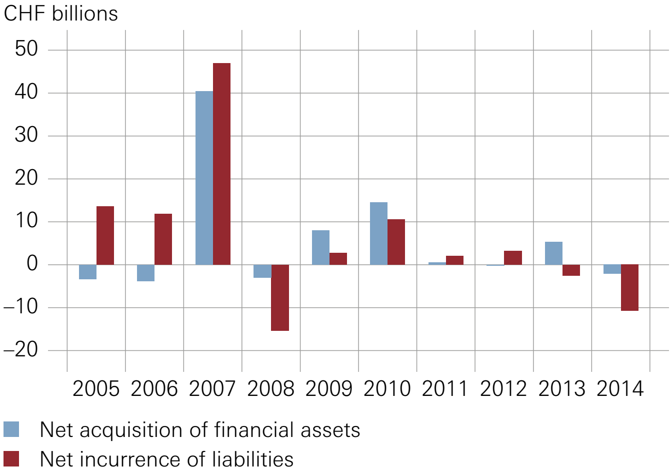
OTHER INVESTMENT: BANKS, CLAIMS AGAINST AND LIABILITIES TOWARDS CUSTOMERS



Source: SNB

Chart 18

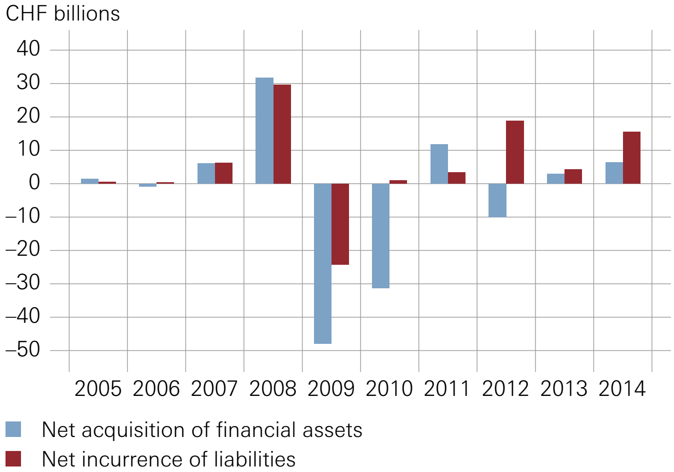
OTHER INVESTMENT: CORPORATES



Source: SNB

Chart 19

OTHER INVESTMENT: SWISS NATIONAL BANK



Source: SNB

RESERVE ASSETS

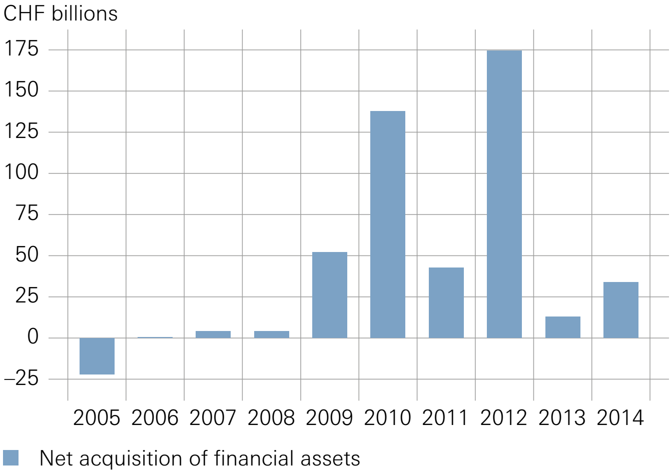
Reserve assets mainly consist of gold and foreign currency investments. In 2005, the proceeds from the SNB's gold sales were distributed to the Confederation and the cantons. This led to a reduction in reserve assets. Since 2009, when implementing its monetary and investment policies, the SNB has been active in the foreign exchange market as necessary. As a result, reserve assets increased very substantially in 2010 and 2012 in particular. In 2014, net acquisition of financial assets in this category amounted to CHF 34 billion.

DERIVATIVES

Derivatives are forward transactions whose value depends on one or more underlying financial instruments, indices or goods. In the balance of payments, reporting covers net payments made and received abroad. Because of price movements in the financial instruments underlying the positions, the balance of these payments can change over the term of the derivative. It is therefore usual to report net values in the balance of payments. A further particularity is that when derivatives contracts are taken out, there is no payment flow. This happens during the term of the contract or at maturity. The derivatives item has been recorded in the balance of payments since 2005. Despite turnover usually being high, experience has shown the reported payment flow to be low. Between 2005 and 2014, it fluctuated between a positive net figure of CHF 3 billion and a negative net figure of CHF 4 billion. Since derivatives have been reported (2005), payment flows have almost offset each other.

Chart 20

RESERVE ASSETS



Source: SNB

STATISTICAL DIFFERENCE

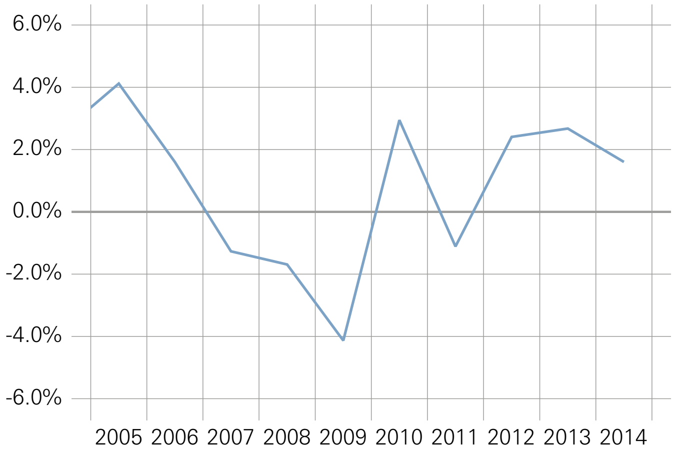
In principle, the balance of payments should be balanced, since it is drawn up according to the system of double-entry bookkeeping. This means that all transactions must be recorded once as a credit (current account receipts, capital transfers from abroad, net incurrence of liabilities or net reduction of assets) and once as a debit (current account expenses, capital transfers abroad, net acquisition of financial assets and net reduction of liabilities). In practice, however, a difference arises from errors and omissions in the collection of data and estimates. If, for example, the acquisition of a company abroad is shown under direct investment, but the associated flow of payments is not recorded, the missing value is shown under the statistical difference item.

Over the last ten years, the statistical difference has usually been positive. This suggests either that current account receipts (net incurrence of liabilities) have been underestimated or that current account expenses (net acquisition of financial assets) have been overestimated.

In 2014, the statistical difference amounted to CHF 17 billion. This accounts for almost 2% of the total transactions recorded in the current account.

Chart 21

STATISTICAL DIFFERENCE IN PERCENT OF CURRENT ACCOUNT TRANSACTIONS



Source: SNB

3
International investment position

As with the balance of payments, the assets and liabilities in the international investment position are broken down into direct investment, portfolio investment, derivatives and other investment. The assets side also contains reserve assets.

FACTORS INFLUENCING THE INTERNATIONAL INVESTMENT POSITION

Three factors drive changes in foreign assets and liabilities: the net acquisition of financial assets and incurrence of liabilities (transactions), valuation changes stemming from stock market and exchange rate developments, and changes in statistical sources.

The first factor – the net acquisition of financial assets and incurrence of liabilities – is included under the financial account in the balance of payments. When the net acquisition of assets is greater than the net incurrence of liabilities, the net international investment position increases, and vice versa.

Valuation changes are based on changes in the value of assets and liabilities due to fluctuations in exchange rates and the prices of precious metals or securities, particularly shares. As the composition of foreign assets differs significantly from that of foreign liabilities with respect to currencies and components, the effect of valuation changes on assets deviates from that on liabilities in the following ways:

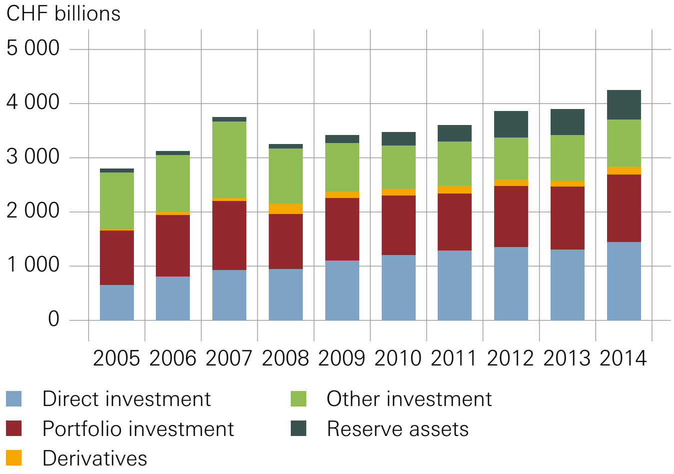
– In the case of foreign assets, the stock of foreign currency positions is around three times higher than in the case of foreign liabilities. Consequently, foreign assets react more strongly to exchange rate fluctuations than foreign liabilities. An appreciation of the Swiss franc therefore has a negative impact and a depreciation a positive impact on the net international investment position.

– The stock of shares held by foreign investors in Switzerland (foreign liabilities) is more than twice as high as that held by Swiss investors abroad (foreign assets). Consequently, in absolute terms, a similar movement in share prices in Switzerland and abroad will have a stronger impact on the liabilities side of the account.

The third factor influencing developments in foreign assets and liabilities is changes in statistical sources. These include an expansion in the number of companies

Chart 22

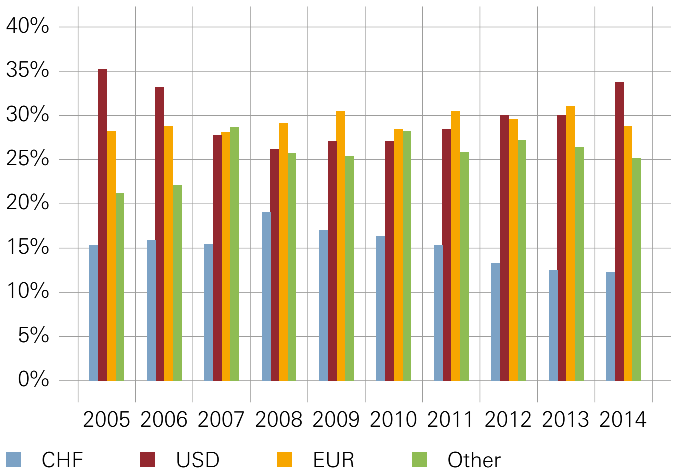
FOREIGN ASSETS, BY COMPONENT



Source: SNB

Chart 23

FOREIGN ASSETS, BY CURRENCY



Source: SNB

surveyed as well as the inclusion of items or events not previously covered.

FOREIGN ASSETS – SUMMARY

Foreign assets rose markedly between 2005 and 2007. This increase was driven, on the one hand, by a substantial increase in share prices, which significantly boosted the value of portfolio investment abroad. On the other hand, banks increased their interbank claims abroad (other investment) considerably. Stocks of direct investment abroad also rose substantially as a result of investment activity by Swiss companies. The beginning of the financial crisis put a stop to this upward trend and led to a marked decline in foreign assets, which fell sharply in 2008. This decrease was attributable to three factors. First, capital stocks abroad were reduced, particularly by banks. Second, plummeting share prices resulted in a drop in stocks of portfolio investment abroad, and, third, the appreciation in the Swiss franc led to a lower valuation of capital stocks held in foreign currency. Since 2009, foreign assets have been rising again. All components recorded an increase in 2014, with total foreign assets increasing by CHF 351 billion to CHF 4,246 billion.

There have been shifts in the structure of foreign assets since 2005, affecting the breakdown by both component and currency. Thus the share of direct investment and reserve assets rose, while other investment and portfolio investment decreased. The foreign currency share over the last ten years has fluctuated between 81% (2008) and 88% (2014), meaning that the share of the Swiss franc has been declining since 2008. While the euro's share of total assets remained relatively stable (approximately 30%), the share of the US dollar fell at the beginning of the period under review before picking up again, amounting to 34% in 2014.

FOREIGN ASSETS – DIRECT INVESTMENT

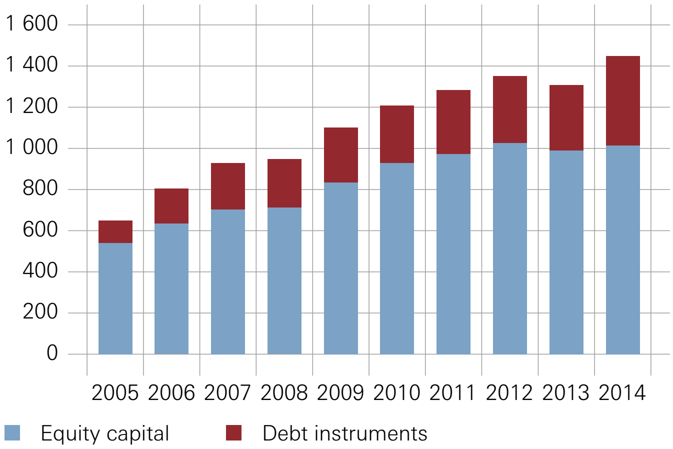
This item represents the assets side of intragroup capital relationships of companies in Switzerland with entities abroad. Thus – in contrast to portfolio investment – it reflects the long-term interest of Swiss companies abroad. Stocks of direct investment assets are composed of equity in subsidiaries and branch offices abroad as well as stocks of cross-border intragroup loans – 'debt instruments' (assets).

Unlike most other stocks, direct investment is stated at book values rather than market values. By comparison with other countries, Switzerland has very high stocks of direct investment abroad. At the end of 2013, Switzerland was the seventh-highest direct investor in the world (source: IMF, http://cdis.imf.org/).

The stock of direct investment has more than doubled in the last ten years, amounting to CHF 1,447 billion in 2014. Of this amount, CHF 1,014 billion was equity and CHF 433 billion was made up of intragroup loans. During this period, Swiss companies acquired participations

Chart 24

FOREIGN ASSETS: DIRECT INVESTMENT



Source: SNB

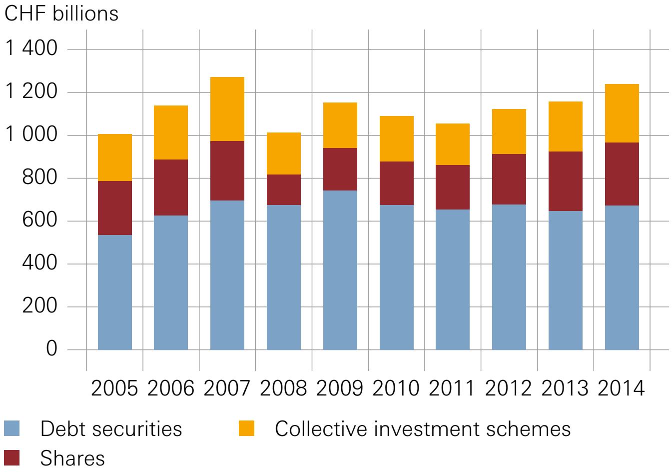
abroad on a large scale and reinvested the income earned there. These investments exceeded the exchange rate-related valuation losses by far. Over the last ten years, the share of direct investment in total foreign assets has risen from approximately one-quarter to more than one-third.

FOREIGN ASSETS – PORTFOLIO INVESTMENT

Domestic investors primarily hold foreign-issued debt securities, the share of which has amounted to more than 50% over the last ten years. Overall, stocks of portfolio investment rose strongly until 2007. This increase was due, on the one hand, to purchases of securities and, on the other, to rising share prices. In 2008, shares lost considerable value in the wake of the financial crisis; despite new investment, stocks of portfolio investment fell below those of 2005. Between 2009 and 2014, stocks were mainly driven by exchange rate and market price-related valuation changes. Between 2010 and 2012, investors engaged in net sales of foreign-issued securities, causing stocks to decline. In the last two years, however, investments have picked up again. Rising share prices also contributed to an increase in stocks. From 2005 to 2014, the share of portfolio investment in total foreign assets decreased from 36% to 29%.

Chart 25

FOREIGN ASSETS: PORTFOLIO INVESTMENT



Source: SNB

Table 6

OTHER INVESTMENT: ASSETS

In CHF billions

	2012	2013	2014
Total assets	**773.5**	**847.9**	**868.6**
Currency and deposits	533.3	597.4	646.1
Of which banks	325.5	371.1	344.5
Of which other sectors	202.8	218.2	286.7
Loans	239.2	249.5	212.1
Of which banks	162.1	174.1	191.1
Of which other sectors	76.0	74.4	20.0
Other assets	1.0	1.0	10.4

Source: SNB

FOREIGN ASSETS – DERIVATIVES

Derivatives are forward transactions whose values depend on one or more underlying financial instruments, indices or goods. The positive replacement values of outstanding derivative financial instruments with counterparties abroad have been stated in the international investment position since 2005. In 2008, the stocks of derivatives rose significantly, due in particular to the expansion in the reporting population. Since 2008, the share of derivatives in total foreign assets has gone down by one-third, amounting to 4%, or CHF 149 billion, in 2014.

FOREIGN ASSETS – OTHER INVESTMENT

As in the balance of payments, other investment is broken down into currency and deposits, loans, and other assets. Within the 'currency and deposits' and 'loans' categories, domestic creditors are differentiated by sector as follows: Swiss National Bank, banks, public sector and other sectors. 'Other sectors' is made up mainly of corporate short-term claims abroad which are not part of direct investment. Banks dominate other investment, while public sector assets are insignificant.

After peaking at CHF 1,404 billion in 2007, foreign assets in other investment declined to around CHF 774 billion in 2012. This considerable decrease was attributable to the banks, which very substantially reduced their claims abroad. Other investment increased again in the last two years, amounting to CHF 869 billion in 2014.

FOREIGN ASSETS – RESERVE ASSETS

Until 2008, reserve assets recorded little change. Although the SNB distributed the proceeds from gold sales to the Confederation and the cantons in 2005, which caused reserve assets to diminish, this was more than offset by a sharp increase in the value of the remaining gold.

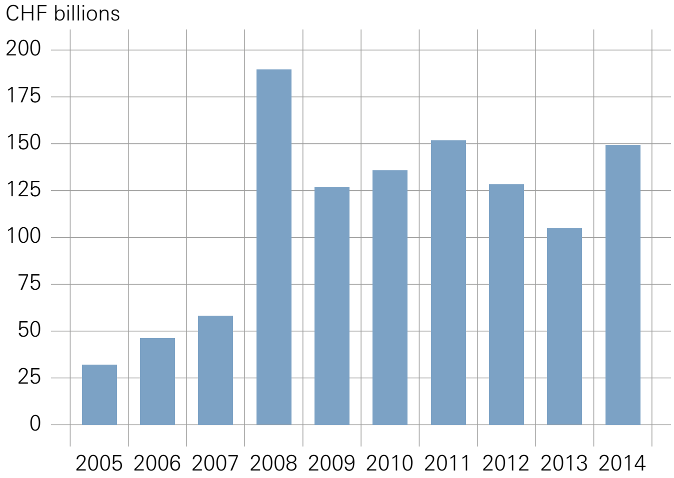
Since 2009, the SNB has been conducting extensive foreign currency purchases, and as a result, reserve assets rose from around CHF 79 billion in 2008 to CHF 541 billion in 2014.

The extensive foreign currency purchases affected the composition of the reserve assets. Between 2005 and 2014, the share of gold decreased from approximately 40% to less than 10%. By contrast, the share accounted for by the euro increased from around 30% to 45%, and that of the other foreign currencies rose from 15% to 25%. The US dollar's share temporarily dipped to below 20% before picking up again to 26% in 2014.

From 2005 to 2014, the share of reserve assets in total foreign assets grew from 3% to 13%.

Chart 26

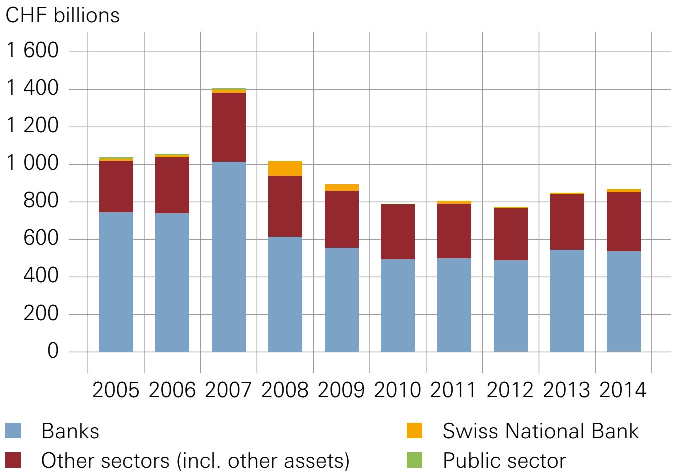
FOREIGN ASSETS: DERIVATIVES



Source: SNB

Chart 27

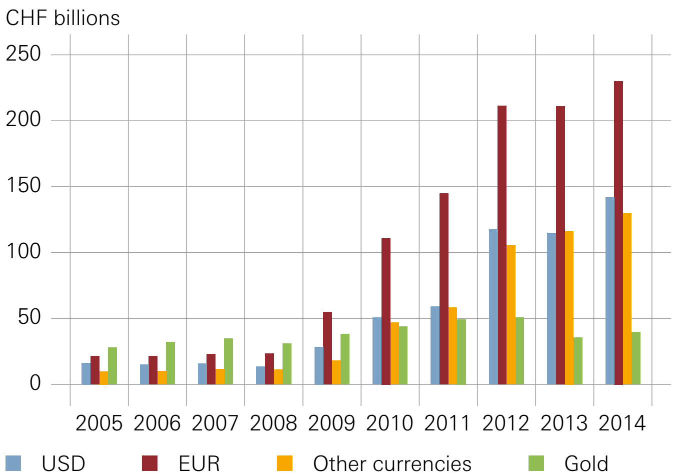
FOREIGN ASSETS: OTHER INVESTMENT, BY SECTOR



Source: SNB

Chart 28

FOREIGN ASSETS: RESERVE ASSETS



Source: SNB

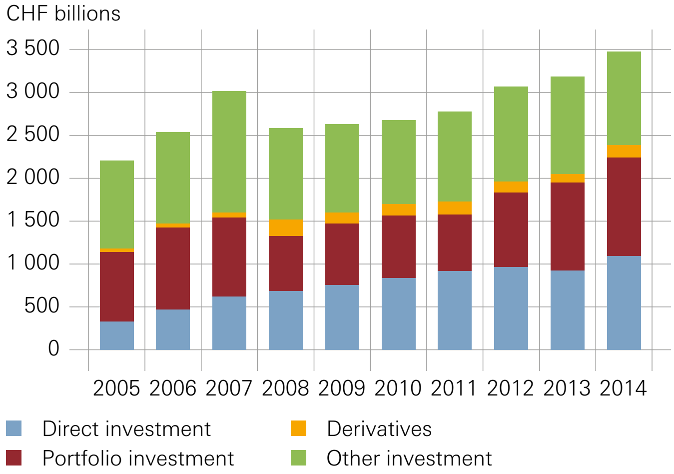
FOREIGN LIABILITIES – SUMMARY

Like foreign assets, movements in foreign liabilities have been uneven since 2005. From 2005 to 2007, they grew strongly. This was chiefly attributable to three factors – banks increased their liabilities abroad very substantially (other investment), stocks of Swiss securities held by foreign investors (portfolio investment) rose due to higher share prices, and foreign direct investors greatly expanded the capital stocks of their subsidiaries in Switzerland. With the onset of the financial crisis, foreign liabilities decreased. In 2008, they fell sharply; banks, in particular, reduced their liabilities abroad very substantially (other investment). In addition, the lower value of foreign currencies contributed to a decline in foreign liabilities. Stocks of portfolio investment were also down significantly due to the downturn in share prices. By contrast, direct investment stocks continued to increase. Since 2012, foreign liabilities have again risen substantially, mainly because of the higher share prices. In 2014, foreign liabilities amounted to CHF 3,478 billion in total.

As in the case of foreign assets, there were a number of structural shifts in foreign liabilities. While the share of direct investment has averaged 30% since 2008, that of other investment has declined continually over the same period, from 41% to about 31%. Until the beginning of the financial crisis in 2008, the share of portfolio investment was, at times, well over 30%. During the years following the low of 25% in 2008, portfolio investment recovered, reaching a share of 33% in 2014. As regards the breakdown by currency, the share of the US dollar has decreased in favour of the Swiss franc, while that of the euro has remained relatively stable.

Chart 29

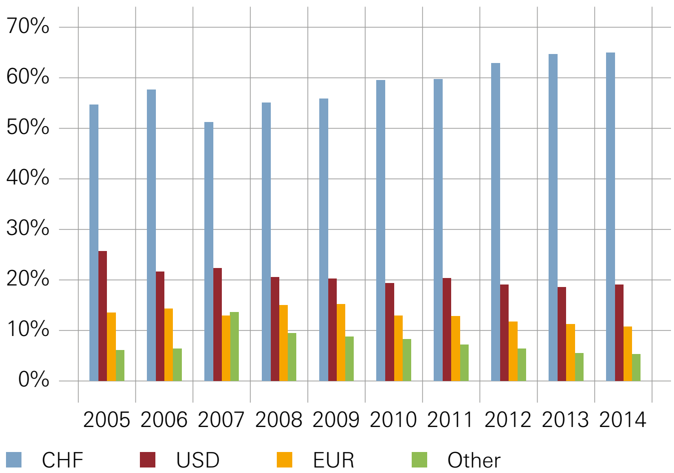
FOREIGN LIABILITIES, BY COMPONENT



Source: SNB

Chart 30

FOREIGN LIABILITIES, BY CURRENCY



Source: SNB

FOREIGN LIABILITIES – DIRECT INVESTMENT
This item represents the liabilities side of intragroup capital relationships abroad of companies in Switzerland. It reflects the long-term interest of foreign investors in Switzerland as a business location, thereby differing from portfolio investment. Stocks of direct investment are composed of equity in domestic subsidiaries and branch offices owned by investors domiciled abroad, and stocks of cross-border intragroup loans – 'debt instruments' (liabilities).

Between 2005 and 2014, capital stocks for direct investment liabilities rose from CHF 332 billion to CHF 1,094 billion. In 2014, CHF 727 billion was equity and CHF 367 billion was made up of intragroup loans. A large portion of the increase in capital stocks was attributable to finance and holding companies. At the end of 2013, Switzerland was ranked ninth as a destination country for direct investment (source: IMF, http://cdis.imf.org/).

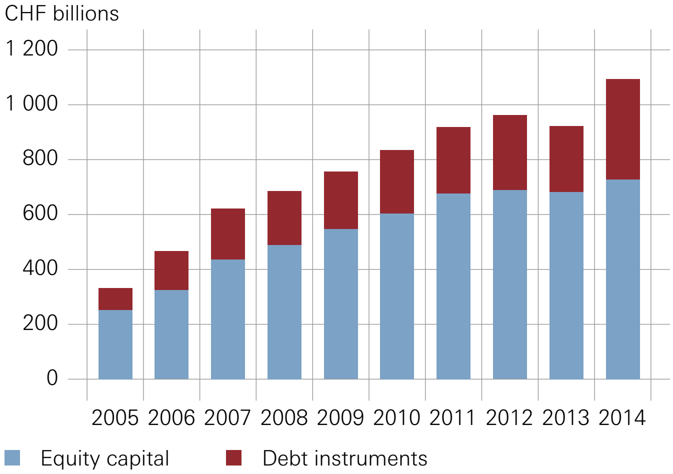
From 2005 to 2014, the share of direct investment in total foreign liabilities rose from 15% to more than 30%.

FOREIGN LIABILITIES – PORTFOLIO INVESTMENT
Most of the holdings by foreign portfolio investors in Switzerland are equity securities. Over the last ten years, the share of equity securities in portfolio investment has averaged 90%. Consequently, fluctuations in share prices have a particularly strong impact on portfolio investment. While stocks of portfolio investment amounted to CHF 959 billion in 2006, they dropped sharply to CHF 637 billion in 2008, due to the collapse in share prices. This loss in value far exceeded portfolio investment transactions in the financial account, even though the latter were high, particularly in the case of banks. In subsequent years, share prices recovered and the losses of 2008 were partly recouped. Since 2012, share prices have risen substantially and with them the stocks of portfolio investment, which reached a new high of CHF 1,144 billion in 2014.

The share of portfolio investment in total foreign liabilities amounted to 33% in 2014, after having fallen from 38% in 2006 to 25% in 2008.

Chart 31

FOREIGN LIABILITIES: DIRECT INVESTMENT



Source: SNB

Chart 32

FOREIGN LIABILITIES: PORTFOLIO INVESTMENT

Source: SNB

FOREIGN LIABILITIES – DERIVATIVES

Since 2005, the negative replacement values of outstanding derivative financial instruments with counterparties abroad have been stated under foreign liabilities. The increase in stocks of derivatives in 2008 was mainly attributable to an expansion in the reporting population. Between 2008 and 2014, the share of derivatives in total foreign liabilities halved to 4%.

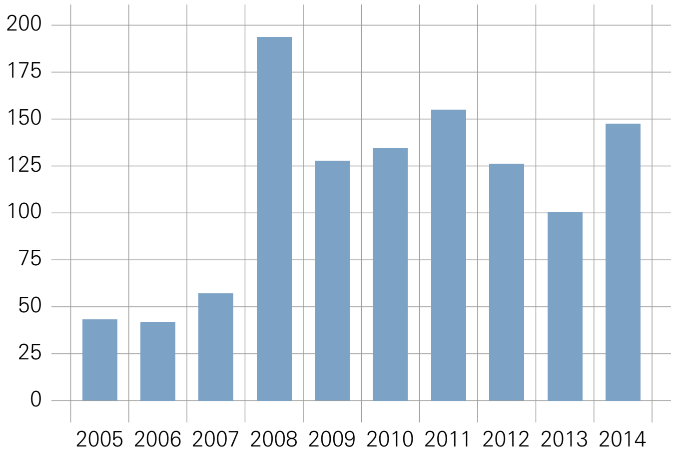
FOREIGN LIABILITIES – OTHER INVESTMENT

As in the balance of payments, other investment is broken down into currency and deposits, loans, and other liabilities. Within the 'currency and deposits' and 'loans' categories, domestic borrowers are differentiated by sector as follows: Swiss National Bank, banks, public sector and other sectors. 'Other sectors' is made up mainly of corporate short-term and long-term liabilities abroad. Banks dominate other investment, while public sector liabilities are insignificant.

After the high of CHF 1,417 billion in 2007, foreign liabilities under other investment declined to CHF 981 billion in 2010. This substantial decrease was attributable to the banks, which reduced their liabilities abroad very considerably. Thereafter, other investment increased again slightly, and in 2014, at CHF 1,093 billion, it again reached the dimensions it had attained before the abrupt rise in 2007.

Chart 33

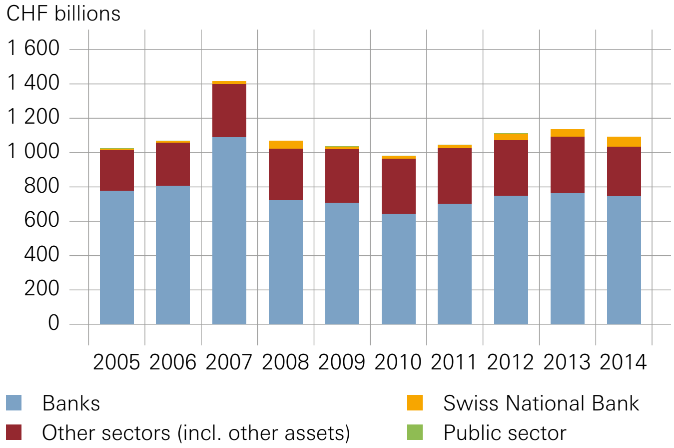
FOREIGN LIABILITIES: DERIVATIVES



Source: SNB

Chart 34

FOREIGN LIABILITIES: OTHER INVESTMENT, BY SECTOR



Source: SNB

Table 7

OTHER INVESTMENT: LIABILITIES

In CHF billions

	2012	2013	2014
Total liabilities	**1 111.4**	**1 136.2**	**1 092.6**
Currency and deposits	792.5	811.4	807.9
Of which banks	748.0	762.6	744.8
Of which other sectors	5.7	5.7	4.3
Loans	234.2	236.7	187.3
Of which banks	–	–	–
Of which other sectors	233.2	236.0	186.8
Other liabilities	84.7	88.1	97.3

Source: SNB

NET INTERNATIONAL INVESTMENT POSITION

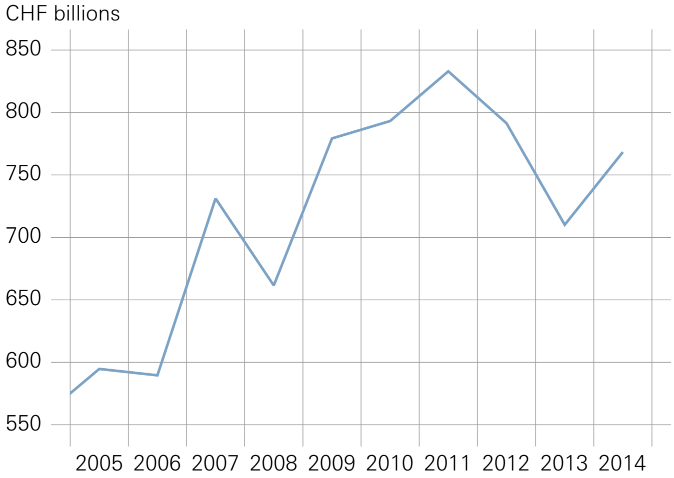
Since statistics on the international investment position were first collected in 1985, Switzerland's foreign assets have been higher than its foreign liabilities; its net international investment position has therefore been positive throughout this period. This reflects both the high saving rate and the limited investment possibilities in Switzerland. By international standards, Switzerland's net international investment position is very high. In 2013, the net international investment position of Switzerland, in absolute terms, ranked fourth in the world, behind Japan, China and Germany. Other small open economies like Hong Kong, Singapore and Norway also have high net international investment positions. As a share of GDP, Switzerland held fourth place, at 118% (source: IMF, *International Investment Position, Net*).

Over the last ten years, the net international investment position has undergone considerable fluctuations. After significant increases between 2005 and 2007, it decreased by 13% to CHF 662 billion in 2008. In the subsequent four years, however, the net international investment position grew again, ranging between CHF 779 billion and CHF 833 billion. In 2013, it was down to CHF 710 billion, since foreign liabilities expanded faster than foreign assets. In the year under review, the net international investment position rose again to CHF 768 billion.

From 2005 to 2014, the net international investment position grew by CHF 173 billion to CHF 768 billion. Yet if we add the balances for net acquisition of financial assets and net incurrence of liabilities in the balance of payments, we obtain an increase in the net international investment position of CHF 622 billion. The difference between the increase as per the international investment position and the cumulative increase based on net acquisition of assets and net incurrence of liabilities in the balance of payments (CHF 449 billion) is mainly attributable to exchange rate and share price fluctuations.

Chart 35

NET INTERNATIONAL INVESTMENT POSITION

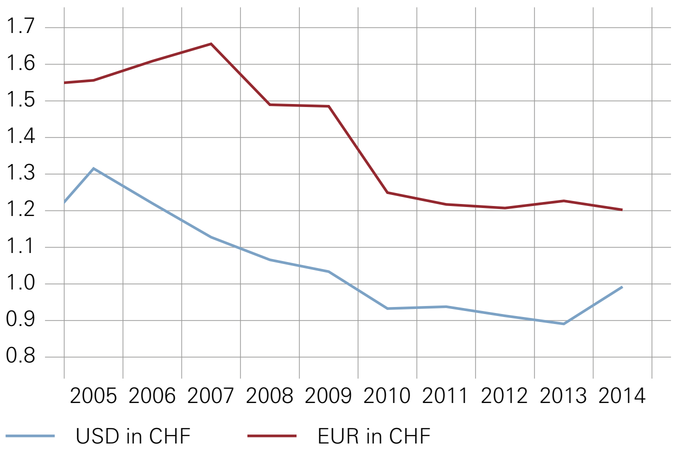


Source: SNB

Chart 36

EXCHANGE RATES

End of year

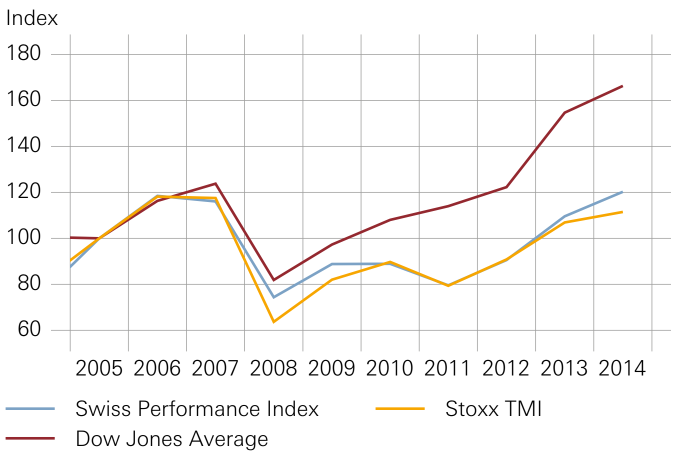


Source: SNB

Chart 37

SHARE PRICES

2005 = 100, end of year



Sources: Bloomberg, Thomson Reuters Datastream

Gold trade

INTRODUCTION

Data on gold trade are not published by all countries. Of those for which data are available, Switzerland has by far the highest imports and exports. These figures reflect the major role of various Swiss players in the gold business. They include refineries in Switzerland, which produce the largest number of one-kilogram gold bars of the highest purity worldwide. These gold bars are traded in Asian trading centres, especially. The Swiss refineries smelt gold bars of lower purity and higher weight – which are traded in London, in particular – into one-kilogram gold bars of higher purity. In this way, they act as an interface between the trading centres. Furthermore, some of the major worldwide issuers of gold exchange-traded funds (ETFs) are located in Switzerland. The assets of these ETFs consist chiefly of gold bars which are stored in Switzerland. In addition, the two big Swiss banks are market-makers in the world's leading gold trading centre in London.

The dimensions of gold trade activities are evident in the balance of payments of Switzerland. For instance, in 2013, exports of gold bars accounted for 34% of total goods exports (1984: 27%). At CHF 118 billion, they significantly exceeded exports of chemicals and pharmaceutical products (CHF 81 billion).

This article begins with an international comparison of gold trading countries. The Swiss players in the gold business will then be listed, based on their admission to the London bullion market. Movements in the value of gold imports and exports of Switzerland between 1984 and 2014 will also be analysed. The basic factors responsible for the very substantial rise between 2003 and 2013, as well as the sudden decline in 2014, will be quantified, and the major demand and supply countries specified. The interface function of the Swiss refineries is very evident, given the conspicuously large share of gold exports to Asia together with the dominant share of the UK in gold imports. Furthermore, the difference between import and export values in the period from 1984 to 2014 will be analysed and an explanation given for the behaviour of investors, which led to a rise in import surpluses after the onset of the financial crisis. In addition, the way gold is handled in the balance of payments will be discussed. The new accounting practice means that gold trade appears more prominently in the statistics. We finish with a brief conclusion.

In addition to the main text, the article contains supplementary information, including a historical review of the development of the London bullion market and its links to Switzerland. In addition, information is provided on practices in the various trading centres and the ways in which gold is traded.

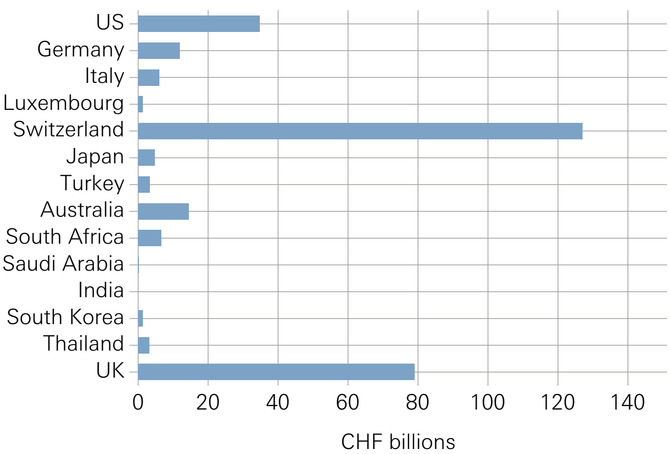
INTERNATIONAL COMPARISON

Official data are not available for a number of countries for which the gold trade is likely to be important. They include China, Hong Kong, Singapore and Russia. If we limit our considerations to those countries for which data are available, we see that Switzerland has the highest levels of exports and imports (cf. charts 1 and 2, with data for 2013).

In 2013, most gold trading countries imported and exported gold. Exceptions were India and South Africa, with India only importing and South Africa only exporting gold. Together with Australia, the US, China and Russia, South Africa is one of the largest gold producers.

Chart 1

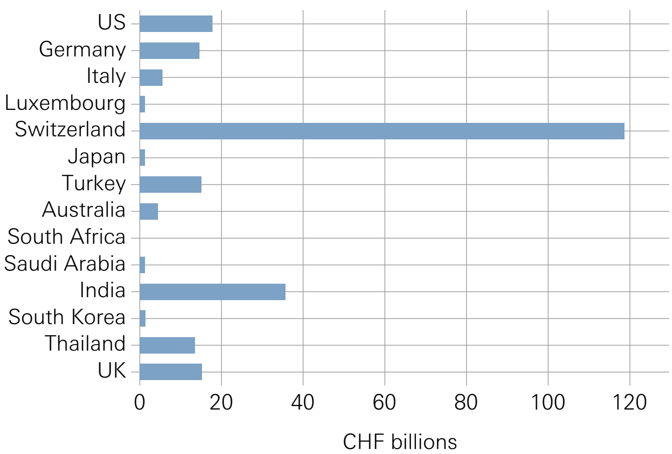
INTERNATIONAL COMPARISON OF GOLD EXPORTS, 2013



Sources: Eurostat, IMF

Chart 2

INTERNATIONAL COMPARISON OF GOLD IMPORTS, 2013



Sources: Eurostat, IMF

Gold is traded in varying forms between different countries. In gold-producing countries ore is mined and is initially cast in bars, known as doré bars. Apart from gold, doré bars also contain a large percentage of other metals and impurities. For this reason, they are then refined in internationally recognised refineries, either in the country of origin itself or in other countries, giving rise to normed gold bars. Thus, on the one hand, gold can be differentiated along the value chain from doré bars to refined gold bars. On the other hand, gold bars themselves are not a homogenous good due to the various norms governing fineness and weight.

Gold bars are sold and purchased over the counter (OTC).[1] Consequently, we speak of a trading centre or market for physical gold rather than an exchange. The London bullion market is the world's leading trading centre for physical gold, partly for historical reasons (cf. 'Supplementary information'). It plays a dominant role in the determination of the gold price,[2] and both the gold bars traded and the market participants operating there are subject to specific requirements.

SWISS PLAYERS IN THE GOLD BUSINESS

The major Swiss players in the gold business are admitted to the London bullion market (cf. table 1, with information for 2015). They participate in the market as market-makers, issuers of gold ETFs, or refineries.

Switzerland's two big banks act as market-makers. At present, 13 market-makers are operating in London and provide one another with purchase and selling prices round the clock.[3] Gold bars for physical delivery are offered on three different markets – the spot, forward and options markets (cf. 'Supplementary information'). Large customers, such as banks, institutional investors and refineries, can participate in gold bar trading through the market-makers.

From Switzerland, those admitted to the London bullion market include the Zürcher Kantonalbank (ZKB) and Bank Julius Bär. Both institutions are major issuers of gold ETFs.[4] The assets of gold ETFs are almost exclusively invested in gold bars and, consequently, the Swiss issuers carry out transactions on the London bullion market.

Table 1

COMPANIES WITH A LINK TO SWITZERLAND ADMITTED TO THE LONDON BULLION MARKET IN 2015

Name	Location	Type of business
Market-makers		
UBS AG*	London	Bank
Credit Suisse**	London	Bank
Ordinary members* **		
Metalor Technologies Ltd	Neuchâtel	Refinery
PAMP SA	Castel San Pietro	Refinery
Argor Heraeus SA	Mendrisio	Refinery
UBS Ltd	London	Bank
Credit Suisse Ltd, Zurich	Zurich	Bank
Zürcher Kantonalbank	Zurich	Bank
Bank Julius Baer	Zurich	Bank
Associates** **		
Valcambi SA	Balerna	Refinery
Cendres+Métaux Ltd	Bienne	Refinery
MKS Finance SA	Geneva	Dealer
Pictet & Cie SA	Geneva	Investor

* UBS AG provides purchase and selling prices on all three markets, the spot, forward and options markets and is therefore a full market-maker.
** Credit Suisse provides purchase and selling prices on the spot and options markets.
*** Ordinary members are players which are active in the market.
**** Associates are players which are present in the market. Unlike market-makers and ordinary members, they are not full members and do not have voting rights.

Source: The London Bullion Market Association, 2015

Five refineries in Switzerland produce bars which are accepted on the London bullion market. The fineness, weight, name of the refinery and bar number are stamped on the gold bars. These characteristics guarantee quality. Gold bars traded in London qualify as 'Good Delivery' bars. They are larger than the bars traded in other centres and their purity is somewhat lower.

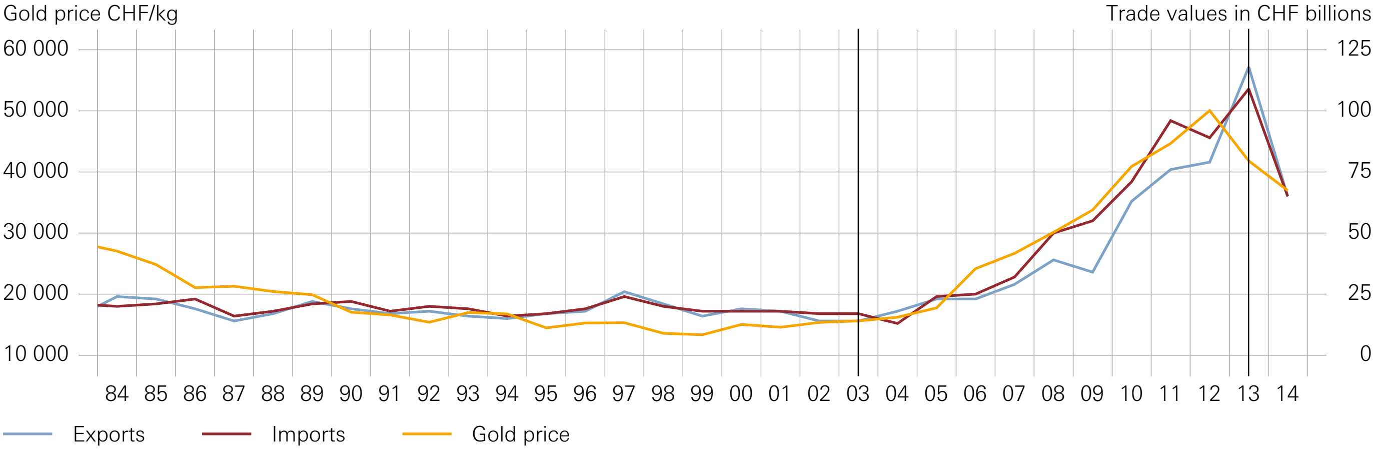
Refineries in Switzerland are the biggest producers of one-kilogram gold bars of the highest purity.[5] These bars are traded in trading centres in Europe (apart from the UK) and Asia. By recasting the London bars so that they have the requisite size and purity for the Asian trading centres, the Swiss refineries help make it possible for an exchange between these trading centres to take place.[6] Consequently, refineries in Switzerland act as a link between the different trading centres. In 2013, 73% of all gold exports of Switzerland went to Asia, and 52.7% of gold imports came from the UK (cf. charts 4 and 5). More information on the different practices in these trading centres can be found in 'Supplementary information'.

Refineries in Switzerland also smelt items containing gold into bars, such as scrap gold from the jewellery industry and other industries as well as from private individuals. They also refine newly produced gold – doré bars – which contain large percentages of other metals and impurities. In terms of their annual smelting capacities, the refineries in Switzerland are among the largest worldwide.[7]

Chart 3

SWISS GOLD EXPORTS AND GOLD IMPORTS, 1984–2014

Gold price in CHF per kg (lhs), exports and imports in CHF billions (rhs)



Sources: FCA, SNB

MOVEMENTS IN SWITZERLAND'S GOLD IMPORTS AND EXPORTS

From 1984 to 2014, gold import and export values of Switzerland moved more or less in parallel. Where exports of tradable gold bars increased, there was also an increase in imports of doré bars and tradable gold bars, and vice versa (cf. chart 3).[8] These parallel paths are attributable, on the one hand, to cross-border trading activities by banks, and, on the other, to the above-mentioned interface function of the refineries in Switzerland.

Over the 30 years under review, three periods can be differentiated. From 1984 to 2013, values remained relatively stable, ranging between CHF 15 billion and CHF 20 billion. From 2003 to 2013, they soared. In 2014, they almost halved. The year 2013 saw the highest values so far, with gold exports at CHF 118 billion and imports at CHF 109 billion.

Fifty percent of the substantial increase in import and export values from 2003 to 2013 can be explained by the increase in the gold price and fifty percent by the rise in the traded amount of fine gold.[9] In this period, the price per kilogram of fine gold advanced from some CHF 16,000 to CHF 42,000 (cf. chart 3, left-hand scale). The estimated amount of fine gold exports rose from 875 tonnes in 2003 to 2,814 tonnes in 2013. For the sharp downturn in import and export values in 2014, the quantity effect (some 80%) was far greater than the price effect (around 20%). These percentages are estimates.[10]

Over time, the shares of individual countries in Switzerland's gold imports and exports have fluctuated substantially. The years 2013 and 2014 are good examples. In 2013, the five most important export countries were located in Asia, with 73% of gold exports going to that region (cf. chart 4).[11] More than half of gold imports (52.7%) came from the UK (cf. chart 5).[12] In 2014, the Asian share of gold exports of Switzerland declined significantly, and the only countries that remained as major sources of demand were Hong Kong (7.8%) and India (6.8%). At the same time, the share of gold imports from the UK declined very substantially (12.2%). Germany was now supplying the largest amount of gold to Switzerland (21.7%) and was also the most important country for gold exports, with a share of 15.2%.

In most years, gold import values (red line in chart 3) exceeded export values (blue line). The same applies for the imported and exported amounts of fine gold. From 1984 to 2014, the total amount of imported fine gold exceeded the amount of exported fine gold by an estimated 2,600 tonnes (cf. chart 6).

Chart 4

SWISS GOLD EXPORTS, 2013

Breakdown by country in %

China **9.1%**
Hong Kong **33.6%**
India **18.6%**
Singapore **6.4%**
Thailand **5.3%**
Other **27.0%**

Source: FCA

Chart 5

SWISS GOLD IMPORTS, 2013

Breakdown by country in %

France **3.8%**
Italy **3.8%**
Russia **3.0%**
US **10.2%**
UK **52.7%**
Other **26.5%**

Source: FCA

Import surpluses rose between 2008 and 2012, in particular. Investors were increasingly demanding gold ETFs because of the financial crisis.[13] Issuers in Switzerland brought more fund units into circulation, increasing gold holdings in order to cover them. In its fund brochure, the ZKB makes explicit mention of the fact that the gold bars are stored in Switzerland. Banks also stored more gold because their liabilities towards gold account holders abroad increased.[14] Import surpluses also occur when gold is included in jewellery, watches or technological products. If these products leave Switzerland, they are entered under another position in the trade statistics.[15] Consequently, the values in chart 6 slightly overestimate the actual growth in fine gold holdings stored in Switzerland.

GOLD IN THE SWISS BALANCE OF PAYMENTS

The Swiss balance of payments has, since 2014, included private sector imports and exports of gold bars in the current account – under ‘non-monetary gold’ in the goods item. Previously, the entire precious metals trade was entered in the financial account.[16] At the time of the reallocation, the data were extrapolated back to 2000, so that values for gold trade reported under goods trade in the present balance of payments now go back to 2000.

Since 2014, the Swiss Customs Administration (SCA) has also been reporting gold trade within foreign trade. Previously, the SCA reported gold trade under a separate heading but not as part of foreign trade. The new practice, both in the balance of payments and by the SCA, corresponds to international standards. One consequence of the new publication practice is that gold trade is more prominent in the statistics.

A central bank’s reserve assets in gold are designated as ‘monetary gold’. The Swiss National Bank holds these reserve assets largely in gold bars and to a lesser extent in gold coins. Movements in this area are recorded in the financial account of the balance of payments under the reserve assets category. Only gold transactions with other central banks are entered in this category.

CONCLUSION

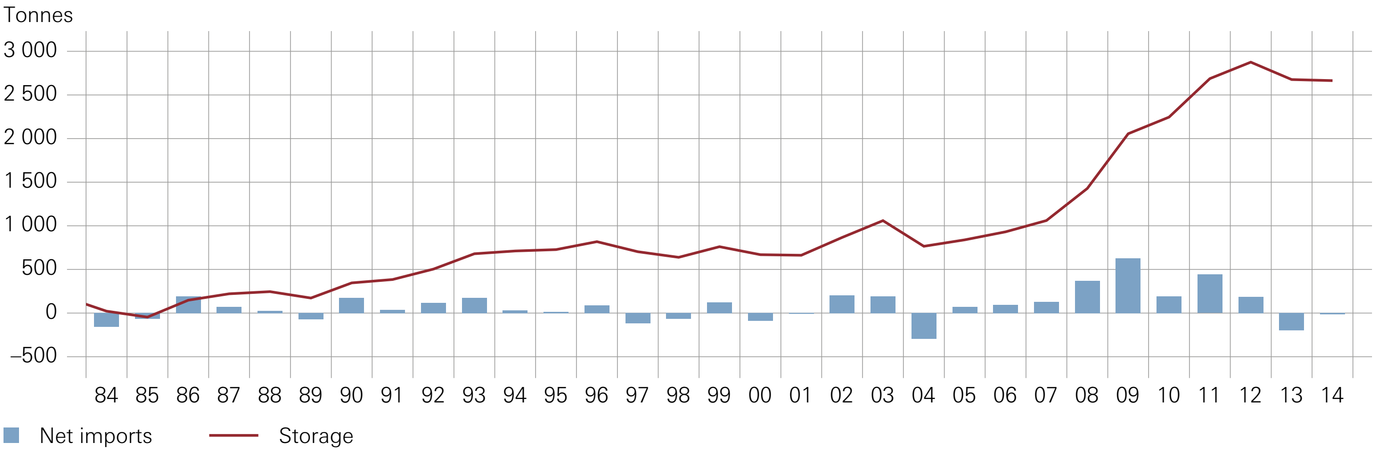
Of all the countries for which official data are available, Switzerland is the leading importer and exporter of gold. Movements in imports and exports are strongly affected by the various Swiss players in the gold market. Refineries in Switzerland act as an interface between the different trading places by recasting London bullion market gold bars to make them suitable for the Asian markets. Swiss issuers are among the major providers of gold ETFs. Finally, the two Swiss big banks are market-makers on the London bullion market, which is the most important trading centre for gold.

Gold price movements as well as changes in trade flows mean that gold import and export values can fluctuate considerably. From 2003 to 2013, the value of imports and exports increased by a factor of more than five, while in 2014 they almost halved. It can be assumed that similar movements will occur in future and will be reflected in foreign trade and, therefore, in the current account of Switzerland.

Chart 6

NET IMPORTS AND STORAGE OF FINE GOLD, 1984–2014

Estimate



Source: SNB

LONDON BULLION MARKET: HISTORY AND LINKS TO SWITZERLAND

1871–1915	Currencies in the UK and other European countries are tied to gold (gold standard). Switzerland does not abandon the gold standard until 1936.
1919	For the first time, the London gold fixing is performed, chaired by the Rothschild Bank, and intraday trading based on the pound takes place. Most trading is in gold bars from South Africa, a former British colony. The purchasers are Swiss banks with international asset management activities and links to refineries in Switzerland.
1939	Following the outbreak of the Second World War, the London bullion market is closed.
1944–1968	*Fixed gold price*
1944	Under the Bretton Woods agreement, the gold price is set at USD 35 per fine ounce (the official price prevailing between central banks and the IMF). The US Federal Reserve is required to convert the USD reserves of all member countries into gold at the official price (gold-dollar standard).
1954	The London bullion market is reopened with the official gold price on a pound basis.
1960	The US is no longer able to meet its gold redemption obligation because dollar holdings abroad exceed US gold reserves. Due to the rising demand for gold, particularly on the part of investors, the official price no longer corresponds to the market price as per gold demand and supply. The official price is no longer sustainable on the London bullion market.
1961	The US Federal Reserve and European central banks establish the international gold pool. The purpose of this pool is to hold the market price for gold at the official price, through gold sales on the London bullion market.
1968–1971	*Two-tiered gold market with a fixed official price on the one hand, and on the other hand free prices according to supply and demand*
1968	International gold pool ceases gold sales and the London bullion market is closed. Two weeks later it is reopened on a dollar basis. At the first gold price fixing, the market price is USD 38 per fine ounce. As a result of the closing of the London bullion market, Switzerland's three big banks at the time create the Zurich gold pool. A joint broker assumes the responsibility for quoting, and the banks act as market-makers. South African gold bars reach Switzerland directly via the Zurich gold pool, rather than indirectly via London.
As of 1971	*Free gold price (volatile market price)*
1971	The US abandons the link to gold for the US dollar.
1981	Introduction of value-added tax on gold in Switzerland puts an end to the trading activities of the Zurich gold pool. London again becomes the major trading centre, and remains so, even after value-added tax is lifted.
1987	The LBMA (London Bullion Market Association) is established.
2004	Rothschild Bank withdraws from the London bullion market.

TRADING PLACES AND THEIR DIFFERING PRACTICES

At the different trading places, the norms governing purity and size of gold bars vary considerably. The quality of bars also varies, due to the status of the refineries. In addition, there are differences as regards the units of weight and currency. These variations are attributable to national circumstances and also to people's preferences with respect to gold purity.

In the Asian trading centres, gold bars are traded in the purest form (.9999), whereas in London the purity is lower (.9950). All types of bars can be obtained in Zurich.[17]

The purity of a bar is described by its 'fineness'. Fineness is measured in per mille and designates the number of parts of fine gold per 1,000 parts. A gold bar with a fineness of 995.0 contains 995 parts of fine gold out of 1,000 parts in total. The remaining 5 parts are impurities. Even the purest bars (.9999) still contain impurities, so that there are no bars which are completely made of fine gold. Fineness is also measured in karats. In this case, the share of fine gold is expressed in parts of 24 instead of parts of 1,000. This measuring unit is less precise, with a fineness of 995.0 and a fineness of 999.9 both corresponding to 24 karats.

In Asia, one-kilogram bars are very widespread. However, bars in traditional weight units are also traded, such as the tola in India and Singapore and the tael in China and Hong Kong. In India, a tax reduction for bars in grams prompted the development of the one-kilogram bars as the standard.[18] On the London bullion market, by contrast, only large bars are traded. The minimum size is 400 ounces, or around 12.4 kilograms.

The weight of fine gold is expressed in fine ounces, whereas the entire weight of the gold bar is reported in ounces. Thus a 400 ounce bar with a fineness of 995.0 (of 1,000 parts = 0.995) weighs 400 ounces, while the weight of the fine gold is 398 fine ounces (400 × 0.995). Both the fine ounce and the ounce are defined as being equal to 31.1034768 grams, so that the weight of a 400 ounce gold bar amounts to 12,440 grams (400 × 31.1) and its fine gold weight of 398 fine ounces is 12,378 grams (398 × 31.1).

SPOT, FORWARD AND OPTIONS MARKETS

On the spot market, gold bars are traded with immediate (maximum two-day) delivery deadlines. This results in the current gold price (spot price). On the forward market, gold bars are traded which are to be delivered in the future. By contrast, trading in options (options market) only confers the right – but not the obligation – to purchase gold bars at a given price in the future (call) or to sell them (put).

The spot, forward and options markets offer varying choices, for instance to a jewellery producer who knows that he will require 400 ounces of gold in three months' time. His first choice is to wait and buy the gold three months later. Second, he can enter into a forward contract whereby he fixes the purchase price for the gold in three months' time. The fixed purchase price is advantageous for him if the gold price on the spot market is higher in three months' time, but disadvantageous if it is lower, because he has to purchase at the contractually agreed price in this case too. This is the key difference to his third choice, an option. If the jewellery producer buys a purchase option, he has the right to purchase as per the option contract, but he does not have to. If, in three months' time, the gold price on the spot market is lower than the price fixed in the option contract, the jewellery producer will not exercise the purchase option and will buy on the spot market instead.

Gold is not only traded in physical form but also in the form of securities on exchanges. These securities include gold futures and gold options, which are traded on futures exchanges. The leading futures exchange for gold is the Commodity Exchange (COMEX division) in New York. Gold futures at futures exchanges are standardised futures contracts. By contrast, individually structured futures contracts, known as gold forwards, are traded on the London bullion market OTC. Gold options are traded OTC on the London bullion market and on futures exchanges. Exchange-listed options usually relate to the gold futures traded at the exchange in question. Thus the price of gold options on futures exchanges is derived from the futures price, unlike options on the London bullion market, whose price is dependent on the spot price. The trading of gold futures and gold options on futures exchanges seldom results in physical deliveries.[19]

END NOTES

1 Gold bars are traded over the counter (OTC), with transactions being concluded directly between sellers and purchasers. There is no exchange (or clearing) in between that ensures solvency via a margin system. This means that both contractual parties bear the counterparty risk themselves and transactions can be structured in a flexible manner. In contrast to stock exchange trading, OTC gold trading does not publish any turnover figures; neither is OTC trading regulated by a supervisory authority. Instead, the rules are established by market participants. For instance, in London the trading association – the London Bullion Market Association (LBMA) – sets the provisions and determines the requirements governing access to the market.

2 The London gold price applies for a fine ounce – which is the unit of weight of pure gold or fine gold – and is set in US dollars. The price covers the delivery of the sold or purchased gold in London. If delivery is to be made to any other place, a supplement will be charged for transport costs. The London price serves as a benchmark for prices at other trading centres. It is set in a predetermined procedure by a fixed group of participants. The purchase and sales requirements of four market-makers at specific gold prices are ascertained. Then the price is set to ensure that purchase and sales requirements are matched.

3 By offering both demand and supply, they 'make the market' and are therefore referred to as market-makers. They differ from traditional traders that are simply engaged in either purchasing or selling on a market.

4 In contrast to the physical bars, these funds are traded on exchanges, so that investors can participate in gold price fluctuations in the form of a security. If the fund's capital assets consist entirely of gold bars, investors can choose an outpayment in either physical or monetary form. The capital assets of these funds are deemed to be special assets. Because the capital investment needed to acquire a unit in the fund is smaller than that entailed in acquiring physical bars, access to the gold market is opened up to smaller investors, too.

5 Cf. www.goldbroker.com/news/china-role-gold-market-514.

6 Specialists use the terms 'size swap' when they talk about recasting bar sizes and 'quality swap' for recasting fineness. Cf. Eibl, C., (2008), *Alles was Sie über Gold wissen müssen*, p. 32 (only available in German).

7 Cf. Swiss Customs Administration (SCA), 2013, 'Offenlegung der Statistik zur Ein- und Ausfuhr von Gold, Schlussbericht der Arbeitsgruppe zu Handen des Oberzolldirektors', p. 9 (only available in German).

8 The import and export values represent the import and export values of 'non-monetary gold'. How this differs from 'monetary gold' will be discussed in the section on 'Gold in the balance of payments of Switzerland'. For more information on the composition of imports (doré bars and tradable gold bars) and of exports (nearly all tradable gold bars), cf. SCA 2013, 'Offenlegung der Statistik zur Ein- und Ausfuhr von Gold', p. 7 (only available in German). Since 2014, the SCA has been publishing the figures in its foreign trade statistics, broken down by country (cf. SCA, 2014, 'Aussenhandel mit Gold. Erste Publikation mit Länderaufschlüsselung seit 1980'/'Commerce extérieur de l'or : première publication par pays depuis 1980'; only available in German and French.) In 2014, the SCA also published the country breakdown for 1982–2013. Due to a lack of information, the SCA used the country of delivery instead of the country of origin, which is usually used in trade statistics.

9 Dividing gold import and export values by the gold price yields the estimated amounts of imported and exported pure gold, or fine gold. The amount of fine gold is a theoretical creation. The estimates relating to the amount of fine gold are needed because, while the import values cover both doré bars and tradable bars, the export values cover almost exclusively tradable bars.

10 The change in the value of a good is based on the change in the amount (quantity effect), the change in price (price effect) and a combination of these two effects. Since the combined effect cannot be broken down into its two parts, the quantity and price effects cannot be precisely calculated but only estimated by means of an approximation.

11 Strong demand from Asia began at the end of the 1990s, when India, in particular, began buying gold. Other countries followed. From 2010, China and Hong Kong became big customers. China imports gold from Switzerland; however, it also produces and refines gold itself.

12 A further 10.2% came from the US and 3% from Russia. These two countries are among the major gold-producing countries. Two of Switzerland's neighbours, France and Italy, each contributed 3.8% to total imports. In 2013, these four countries, together with the UK, contributed 73.5% of all gold imports of Switzerland. From 1984 to 2014, a large part of the imports always came from the UK and the US. Direct imports from South Africa, which had been important previously, declined. Doré bars from South Africa were either refined in local refineries or reached Switzerland indirectly – import figures show the country supplying the gold, not its country of origin.

13 The price per fund unit rose from below CHF 300 in 2008 to over CHF 500 in 2012.

14 Other liabilities in precious metals and on sight of banks in Switzerland towards foreign customers rose from CHF 9.5 billion in 2008 to CHF 24 billion in 2012. These values correspond to an estimated fine gold amount of 315 tonnes in 2008 and 480 tonnes in 2012. Towards domestic customers, liabilities of banks in Switzerland only increased from CHF 3 billion in 2008 to CHF 4.5 billion in 2012, corresponding to a decline in the estimated fine gold amount from 100 tonnes in 2008 to 90 tonnes in 2012. For figures on bank liabilities in precious metals, cf. *Banks in Switzerland*, Swiss National Bank.

15 Gold can also be imported for refining and subsequent processing to make jewellery, watches and technical products. If the gold products remain in Switzerland, they create import surpluses in gold trade. These also come about if the gold products are exported, since the gold imports are booked under 'non-monetary gold', which is not the case for the exports of the gold products.

16 Precious metals in the form of bars and coins were entered in 'precious metals as raw materials and coins' under the other investment position in the financial account, with trade in gold bars clearly dominating other imports and exports in precious metals. In 2013, imports of gold bars amounted to CHF 109 billion and exports of gold bars to CHF 118 billion, while the corresponding values for silver bars were CHF 1.3 billion for imports and CHF 1.7 billion for exports. Values for trade in gold and silver coins were even lower. Since 2014, trade in silver bars and trade in gold and silver coins have also been reported under foreign trade, but separately from trade in gold bars, which is reported in a transparent manner as a sub-component within foreign trade.

17 www.etfsecurities.com/documents/gold brochure.pdf, p. 6.

18 Cf. Eibl, C., (2008), *Alles was Sie über Gold wissen müssen*, p. 111 (only available in German).

19 Cf. Eibl, C., (2008), *Alles was Sie über Gold wissen müssen*, pp. 54 and 63 (only available in German).

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