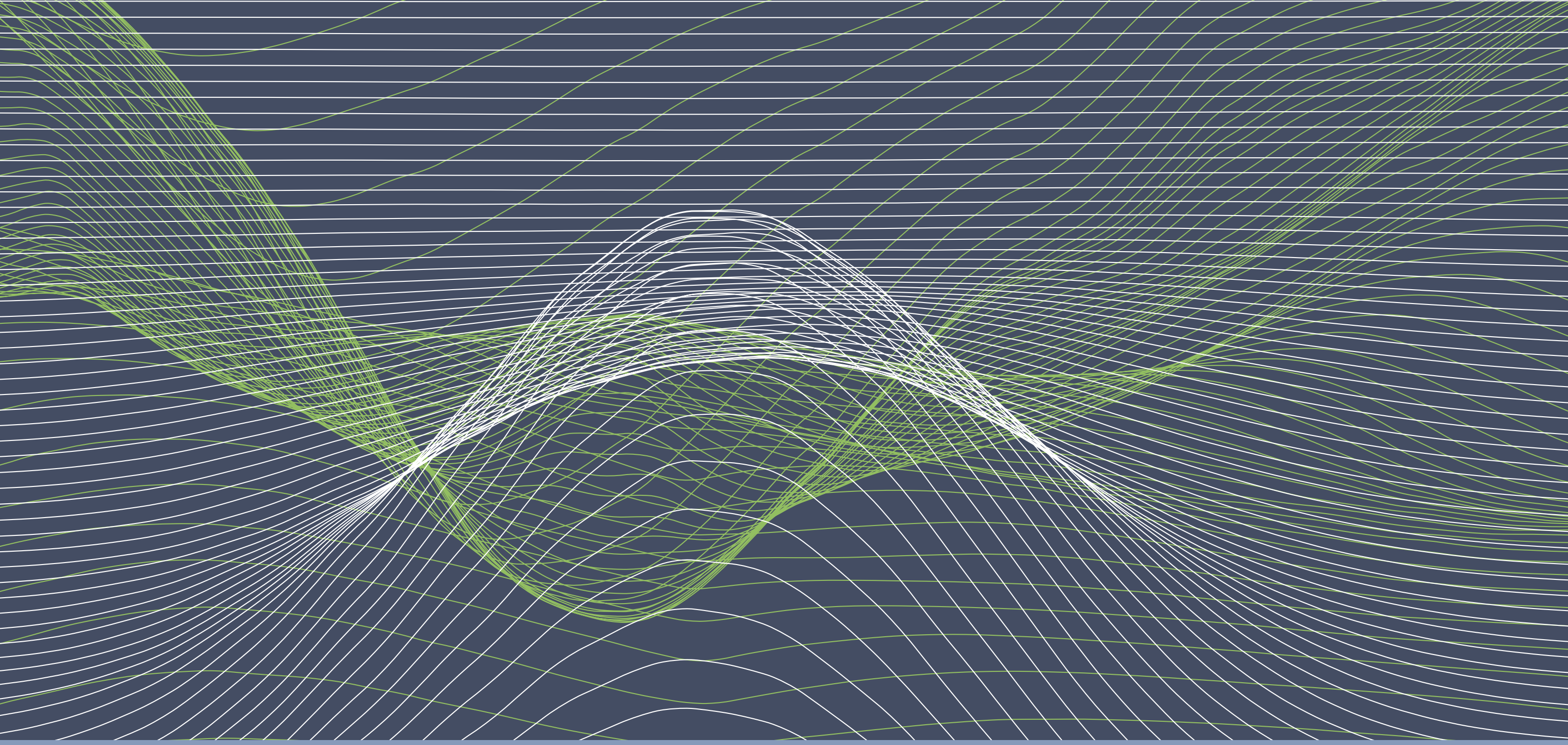

Direct Investment
2019

SCHWEIZERISCHE NATIONALBANK
BANQUE NATIONALE SUISSE
BANCA NAZIONALE SVIZZERA
BANCA NAZIUNALA SVIZRA
SWISS NATIONAL BANK

Direct Investment 2019

Volume 20

SNB BNS

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SWISS DIRECT INVESTMENT ABROAD

In 2019, companies domiciled in Switzerland withdrew more funds from subsidiaries abroad than they invested there. The net withdrawal of funds amounted to CHF 42 billion (2018: net investment of CHF 44 billion). The disinvestment was attributable to companies in the services sector: high withdrawals were recorded in intragroup lending by companies in the trade (CHF 27 billion) and ‘other services’ (CHF 17 billion) industry categories. Finance and holding companies withdrew CHF 20 billion from abroad, in particular by reducing their equity capital in foreign subsidiaries as part of corporate restructuring. Manufacturing companies – mainly from the ‘other manufacturing and construction’ category – effected net investment abroad of CHF 11 billion.

Disinvestment primarily affected subsidiaries in Europe (CHF 36 billion), with particularly high levels recorded at the holding locations of Luxembourg and Ireland. By contrast, Swiss companies expanded their investments in most other locations in Europe – mainly in Hungary, but also in the UK, Germany and Belgium. Outside Europe, withdrawals also exceeded investment in Central and South America (CHF 11 billion) and in Asia (CHF 8 billion), while North America and Africa were the only regions to record a net inflow of Swiss direct investment, at CHF 11 billion and CHF 3 billion respectively.

Stocks of direct investment abroad came to CHF 1,445 billion, of which equity capital accounted for CHF 1,355 billion (94%), and intragroup loans CHF 90 billion (6%). At CHF 580 billion (40%), by far the largest capital stocks abroad were reported by finance and holding companies, followed by the chemicals and plastics category at CHF 177 billion (12%).

Income from direct investment abroad amounted to CHF 91 billion, below the previous year’s level of CHF 102 billion. Lower income was recorded by subsidiaries in both manufacturing (down CHF 5 billion to CHF 42 billion) and services (down CHF 5 billion to CHF 50 billion).

FOREIGN DIRECT INVESTMENT IN SWITZERLAND

In 2019, as in 2018, investors abroad effected a net withdrawal of funds from companies in Switzerland. The withdrawal amounted to CHF 79 billion (2018: CHF 67 billion). High levels of disinvestment resulted from intragroup lending (CHF 50 billion), mainly due to corporate restructuring. Equity capital, too, was reduced as US parent companies continued to take advantage of the tax incentives in the Tax Cuts and Jobs Act to repatriate funds.[1] However, at CHF 47 billion, withdrawals of equity capital were substantially lower than in the previous year (CHF 108 billion). The only new investments made by foreign investors were in the form of reinvested earnings; these totalled CHF 18 billion. Withdrawals affected the services sector (CHF 81 billion), particularly finance and holding companies. Companies in the trade and ‘other services’ categories also registered outflows. By contrast, investors abroad expanded their net investments in manufacturing companies (CHF 3 billion).

Stocks of foreign direct investment in Switzerland totalled CHF 1,370 billion, of which equity capital accounted for CHF 1,358 billion (99%), and intragroup loans CHF 12 billion (1%). A breakdown by immediate investor shows that 83% of the capital stocks originated from EU investors and 6% from US investors. However, this breakdown does not fully convey the countries of origin of the ultimate beneficial owners in control of companies in Switzerland. This is because foreign direct investment stocks in Switzerland are largely held via intermediate companies controlled by groups headquartered in a third country. The SNB therefore publishes an alternative breakdown of capital stocks by country of origin of the ultimate beneficial owner. This breakdown shows that investors from the US and the EU controlled 48% and 28% of the capital stocks respectively.

Investment income from direct investment in Switzerland was below the previous year’s level (down CHF 19 billion to CHF 98 billion). This was mainly attributable to lower income at finance and holding companies.

1 Cf. *Direct Investment* 2018 report, Tax reform in the United States, p. 11.

OPERATIONAL DATA ON SWISS SUBSIDIARIES ABROAD AND THEIR PARENT COMPANIES IN SWITZERLAND

The Swiss-controlled companies surveyed by the SNB controlled 19,580 subsidiaries abroad, where they employed 2,073,000 people and generated annual turnover of CHF 741 billion. The number of employees declined year-on-year by 54,000 (down 3%); turnover rose slightly by CHF 7 billion (up 1%). Companies with participations abroad are also significant employers in Switzerland. The corporate groups surveyed by the SNB employed a total of 547,000 people in Switzerland.

CHANGES

The *Direct Investment* 2019 report includes an expanded data offering, with the SNB now also publishing a country breakdown for direct investment income. This corresponds in both investment directions to the breakdowns already published for stocks and transactions. For foreign direct investment in Switzerland, investment income is published, as in the case of capital stocks, by country of origin of both the immediate investor and the ultimate beneficial owner. Data on the country breakdown of direct investment income are available as of 2015.

A further expansion concerns the operational data on multinational enterprises. The SNB is now publishing the number of Swiss subsidiaries abroad and their turnover. These new variables offer significant potential for economic analysis. For instance, comparisons of staff numbers and turnover provide information as to the investment motives of multinational enterprises in a given country: Are the investments aimed at developing the market or exploiting cost advantages? Data on the new variables are available as of 2014.

Table 1

DIRECT INVESTMENT 2019: OVERVIEW

		2018	2019
Swiss direct investment abroad			
Capital transactions	in CHF billions	43.7	–42.1
Capital stocks	in CHF billions	1 460.3	1 445.1
Investment income	in CHF billions	102.3	91.1
Foreign direct investment in Switzerland			
Capital transactions	in CHF billions	–66.9	–78.8
Capital stocks	in CHF billions	1 358.9	1 369.6
Investment income	in CHF billions	116.6	98.3
Operational data on Swiss subsidiaries abroad and their parent companies in Switzerland[1]			
Number of staff at Swiss subsidiaries abroad	in thousands	2 127.2	2 072.9
Turnover of Swiss subsidiaries abroad	in CHF billions	733.7	740.7
Number of subsidiaries abroad		19 309	19 577
Number of staff at parent companies in Switzerland	in thousands	555.5	546.9

1 Only includes companies covered by the direct investment statistics.

Source: SNB

AVAILABILITY AND REVISION OF DATA

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

As in the past, publication of the *Direct Investment* 2019 report goes hand-in-hand with a revision of the preceding years' figures. Revisions have been made in both investment directions: stocks for the period 2014–2018, and transactions and income for 2015–2018. The main reason was previously incomplete data on the corporate structures of foreign-controlled groups.

The staff numbers at parent companies in Switzerland are published by the Federal Statistical Office (SFSO) as part of their enterprise groups statistics (STAGRE). The SNB publishes the staff numbers of those parent companies in Switzerland that are included in its surveys.

2
Swiss direct investment abroad

CAPITAL TRANSACTIONS

In 2019, companies domiciled in Switzerland withdrew more funds from subsidiaries abroad than they invested there. The net withdrawal of funds amounted to CHF 42 billion (2018: net investment of CHF 44 billion). The largest disinvestment was in intragroup lending at CHF 61 billion. Companies also reduced equity capital by CHF 1 billion. Additional investment, on the other hand, was effected in the form of reinvested earnings (CHF 19 billion).

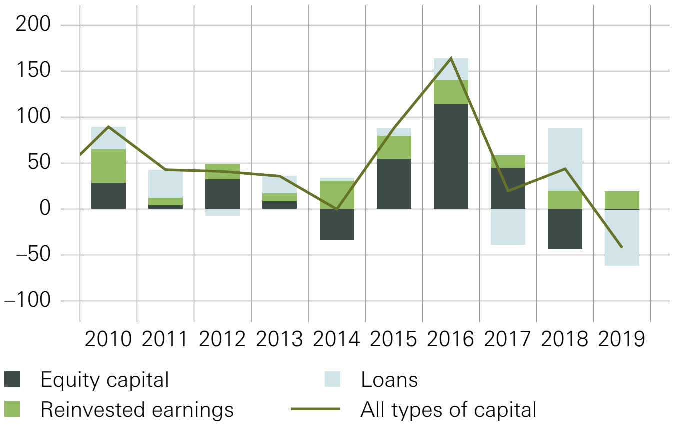
The disinvestment was attributable to companies in the services sector. They withdrew a total of CHF 53 billion from abroad. Disinvestment in the trade (CHF 27 billion) and 'other services' (CHF 17 billion) industry categories was primarily due to intragroup lending, with companies taking out high loans at their subsidiaries abroad. A further CHF 20 billion was withdrawn from abroad by finance and holding companies, in particular as they reduced their equity capital in foreign subsidiaries as part of corporate restructuring. Banks and insurance companies, on the other hand, increased their direct investment, notably by providing their existing subsidiaries with additional equity capital (CHF 9 billion).

In the manufacturing sector, investments in the form of equity capital and reinvested earnings exceeded withdrawals in the area of intragroup loans. This resulted in net investment of CHF 11 billion; the 'other manufacturing and construction' category was dominant here, with direct investment of CHF 8 billion.

Chart 1

DIRECT INVESTMENT ABROAD

Capital transactions by type of capital

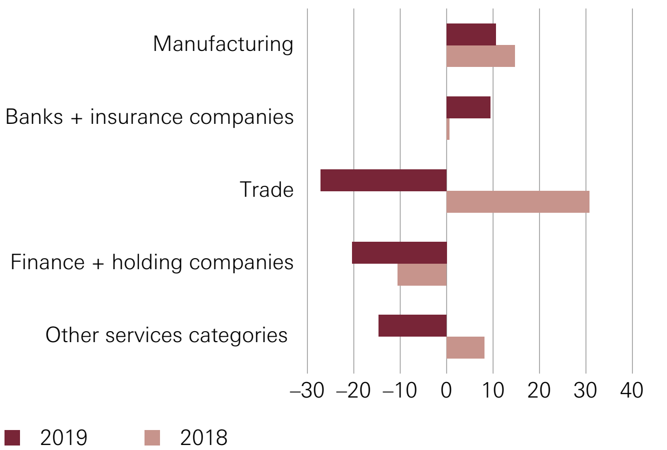


Source: SNB

Chart 2

DIRECT INVESTMENT ABROAD

Capital transactions by industry category, in CHF billions



Source: SNB

At CHF 36 billion, Europe recorded by far the largest volume of withdrawals. The holding locations of Ireland, Luxembourg and the Netherlands were particularly affected (CHF 86 billion in total). The other locations in Europe, by contrast, mainly registered inflows of Swiss direct investment. Most went to Hungary (CHF 20 billion), which benefited from restructuring at holding companies. Investments in the UK (CHF 6 billion) and Germany (CHF 5 billion), on the other hand, were attributable to the banks. Companies domiciled in Switzerland also expanded in Belgium, France and Russia.

Outside Europe, withdrawals also exceeded investment in Central and South America (CHF 11 billion) and in Asia (CHF 8 billion). In both cases, this was primarily attributable to intragroup lending. In Central and South America, the disinvestment mainly affected the offshore financial centres located there as well as Peru. As regards Asia, Swiss companies principally withdrew funds from the United Arab Emirates and Singapore. North America (CHF 11 billion) and Africa (CHF 3 billion) were the only regions to record a net inflow of Swiss direct investment.

CAPITAL STOCKS

Stocks of direct investment abroad amounted to CHF 1,445 billion, a year-on-year decline of CHF 15 billion (down 1%). Capital stocks of direct investment comprise equity capital and loans. Equity capital amounted to CHF 1,355 billion (94%) and loans to CHF 90 billion (6%). A net approach is adopted in the case of loans, with borrowing from subsidiaries and fellow companies abroad totalling CHF 303 billion (liabilities) being subtracted from lending to subsidiaries and fellow companies abroad totalling CHF 393 billion (assets).[1]

In the year under review, there were marked shifts in the types of capital. While stocks of equity capital increased year-on-year by 4% (up CHF 51 billion), stocks of loans decreased by 42% (down CHF 66 billion). The large decline in loans is due to the net approach mentioned above (loan assets minus loan liabilities). Stocks of loan liabilities taken on at subsidiaries and fellow companies increased much more strongly (up CHF 70 billion) than stocks of loan assets granted (up CHF 4 billion). These figures show that a reduction in the stocks of intragroup loans in direct investment abroad cannot be interpreted as a decline in the volume of intragroup lending. Instead, a reduction means that investors in Switzerland are increasingly financing themselves through subsidiaries abroad.

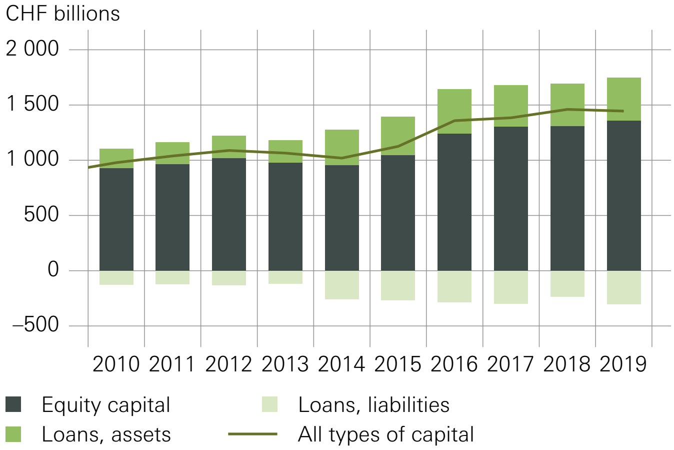
In comparison to other countries, Switzerland maintains high levels of direct investment abroad. Measured in terms of capital stocks, it is one of the world's ten largest direct investors (source: IMF, data.imf.org/CDIS). Reasons for this include the fact that numerous large multinationals are headquartered in the country and that Switzerland is an attractive location for foreign-controlled holding companies.

Capital stocks in the services sector declined 2% year-on-year (down CHF 22 billion to CHF 988 billion). The reduction was smaller than would have been expected from the high levels of disinvestment in capital transactions. There were two main reasons for this. First, companies transferred their domicile to Switzerland from abroad, meaning that their foreign participations are now included under Swiss direct investment. Second, Swiss companies undertook revaluations of their subsidiaries abroad, which resulted in upward adjustments. In Swiss direct investment statistics, neither of these cases is treated as a transaction; both are booked directly to stocks as 'other changes'. In manufacturing, movements in direct investment capital stocks were more in line with transactions. They rose by 1% (up CHF 6 billion to CHF 457 billion).

Chart 3

DIRECT INVESTMENT ABROAD

Capital stocks by type of capital



Source: SNB

1 Loans to/from fellow companies abroad are included if the group headquarters is located in Switzerland.

Chart 4 shows the movements in capital stocks since 1985. In the mid-1980s, the manufacturing sector still accounted for over 70%. This proportion receded steadily until the beginning of the 2000s, before levelling out and remaining fairly constant ever since (2019: 32%). The opposite trend was observed in the services sector. Here, finance and holding companies in particular recorded a steep increase between 1985 and 2010, with their share of total direct investment stocks rising from 12% to 40%. Since then, this proportion has remained fairly stable (2019: 40%). Banks and insurance companies followed a different trajectory. Their share of total capital stocks was 13% in the year under review, similar to the level recorded 30 years before. In the interim, however, the share of banks and insurance companies in overall direct investment abroad had been significantly higher (2001: 37%).

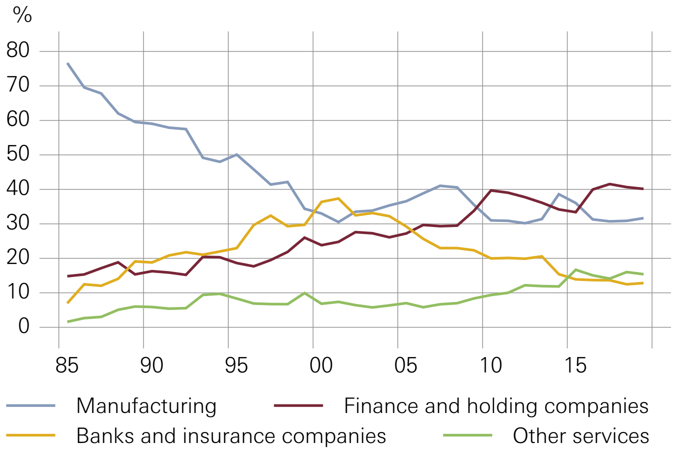
Chart 5 shows the top ten target locations for Swiss direct investment in terms of capital stocks as at the end of 2019 (the area of the circles is proportionate to the size of the capital stocks). The x-axis depicts the average growth rate of capital stocks for the period 2009–2019, while the y-axis shows the year-on-year change in percent against 2018. It is clear from the chart that growth in capital stocks in the past ten years has been largely concentrated at the European holding company locations of the Netherlands, Luxembourg, Ireland and Cyprus. In the year under review, developments varied between the holding locations. While capital stocks declined sharply in Ireland and Luxembourg, in the Netherlands and Cyprus they continued to grow. The strong annual fluctuations in capital stocks at the holding locations reflects the high mobility of the intermediate companies that predominate there. Overall, capital stocks in the holding locations decreased by CHF 53 billion to CHF 453 billion year-on-year. This decline at the holding company locations had a decisive impact on the development of capital stocks in Europe as a whole, which fell by CHF 18 billion to CHF 829 billion (down 2%).

Outside Europe, capital stocks also declined in Central and South America (down CHF 10 billion to CHF 149 billion) and in Asia (down CHF 3 billion to CHF 112 billion). In North America, by contrast, capital stocks increased (up CHF 14 billion to CHF 334 billion). Comparatively strong growth in capital stocks was recorded in Africa (up CHF 3 billion to CHF 14 billion).

Chart 4

DIRECT INVESTMENT ABROAD

Capital stocks by industry category (in %)

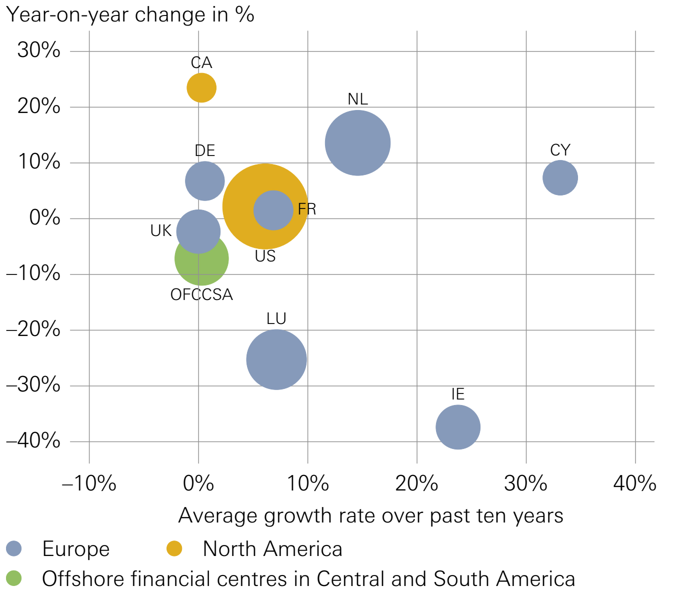


Source: SNB

Chart 5

DIRECT INVESTMENT ABROAD

Capital stocks of top ten investment locations (2019)



Source: SNB

INVESTMENT INCOME

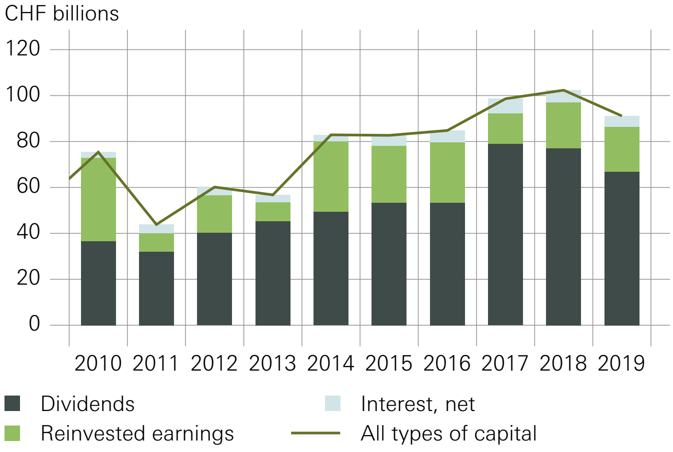
Income from direct investment abroad totalled CHF 91 billion, below the previous year's level of CHF 102 billion. Companies domiciled in Switzerland received lower dividends from their subsidiaries abroad (down CHF 10 billion to CHF 67 billion). Reinvested earnings, by contrast, declined only marginally (down CHF 1 billion to CHF 19 billion). Investment income in the form of net interest from intragroup lending amounted to CHF 5 billion, as in 2018.

Investment income from subsidiaries abroad decreased by CHF 5 billion in both manufacturing and services, to CHF 42 billion and CHF 50 billion respectively. All industry categories in the manufacturing sector, with the exception of 'other manufacturing and construction', recorded lower investment income, particularly the electronics, energy, optical and watchmaking category (down CHF 3 billion to CHF 6 billion). The decline in the services sector was due to a drop in investment income at the subsidiaries of finance and holding companies (down CHF 11 billion to CHF 23 billion). On the other hand, subsidiaries of companies in the trade category, and of banks and insurance companies, generated higher investment income than in the previous year (up CHF 4 billion to CHF 10 billion and up CHF 1 billion to CHF 13 billion respectively).

Chart 6

DIRECT INVESTMENT ABROAD

Investment income by type of capital

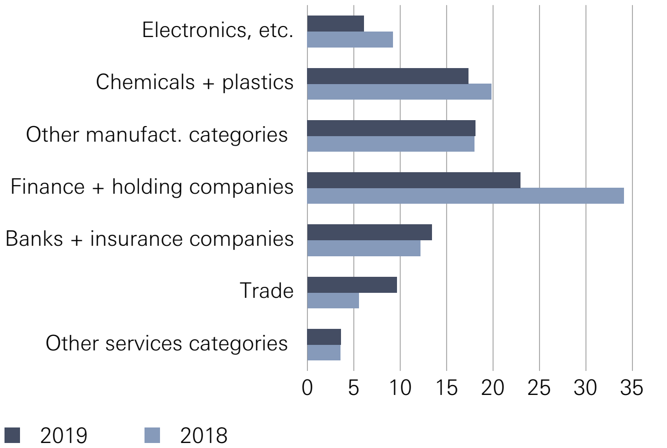


Source: SNB

Chart 7

DIRECT INVESTMENT ABROAD

Investment income by industry category, in CHF billions



Source: SNB

3
Foreign direct investment in Switzerland

CAPITAL TRANSACTIONS

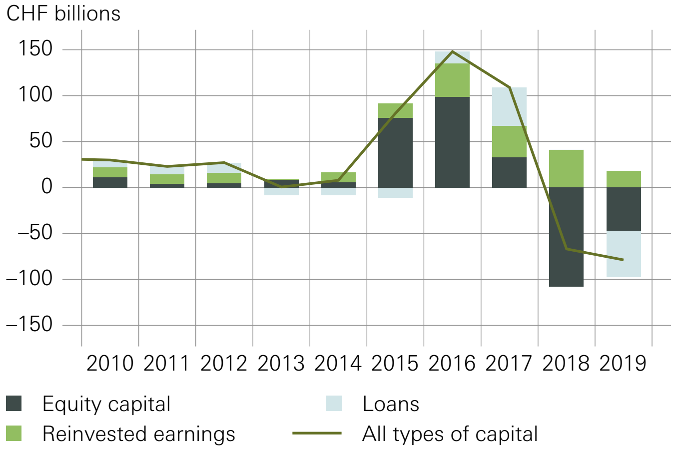
In 2019, as in 2018, investors abroad effected a net withdrawal of funds from companies in Switzerland. The net withdrawal amounted to CHF 79 billion (2018: CHF 67 billion). High levels of disinvestment resulted from intragroup lending (CHF 50 billion), mainly due to corporate restructuring. However, equity capital was also reduced – taking advantage of the incentives in the Tax Cuts and Jobs Act, US parent companies continued to repatriate funds.[1] Nevertheless, at CHF 47 billion, withdrawals of equity capital were substantially lower than in the previous year (CHF 108 billion). The only new investments made by foreign investors were in the form of reinvested earnings; these totalled CHF 18 billion.

Foreign investors withdrew CHF 81 billion from companies in the services sector. The largest withdrawals (CHF 45 billion) were in the finance and holding companies category. On the one hand, these took the form of reductions in equity capital as a result of the US tax reform incentives. On the other, investors abroad liquidated Swiss-domiciled subsidiaries and carried out restructuring. Foreign investors also withdrew funds from companies in the trade (CHF 25 billion) and 'other services' (CHF 15 billion) industry categories. In both cases, they mainly reduced intragroup lending.

By contrast with the services sector, foreign investors effected a net investment in manufacturing companies. Although investors abroad withdrew equity capital, they invested in the form of intragroup loans and reinvested earnings. Investments in manufacturing totalled CHF 3 billion, with funds flowing primarily into companies in the 'other manufacturing and construction' category.

Chart 8

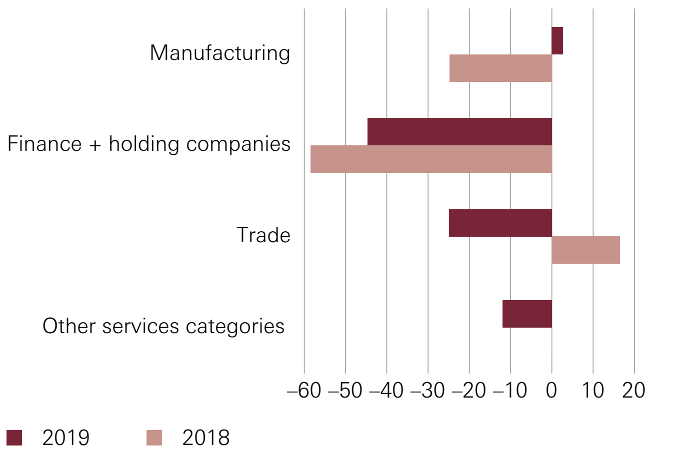
DIRECT INVESTMENT IN SWITZERLAND
Capital transactions by type of capital



Source: SNB

Chart 9

DIRECT INVESTMENT IN SWITZERLAND
Capital transactions by industry category, in CHF billions



Source: SNB

1 Cf. *Direct Investment* 2018 report, Tax reform in the United States, p. 11.

Investors from Europe were predominantly responsible for disinvestment (CHF 85 billion). Investors domiciled in the holding location of Ireland withdrew CHF 58 billion from Switzerland. As part of corporate restructuring, they raised additional funds in the form of loans from their subsidiaries in Switzerland. Corporate restructuring was also the reason for disinvestment by investors from Denmark (CHF 16 billion). Further disinvestment was effected by investors from the UK (CHF 7 billion), the Netherlands (CHF 6 billion) and Luxembourg (CHF 5 billion). In all these locations, repatriated funds were mainly due to reductions in equity capital at subsidiaries in Switzerland. In Europe, only investors from Belgium undertook major investments in Swiss companies (CHF 12 billion).

Outside Europe, disinvestment by US investors was significant (CHF 28 billion). However, this was due to intragroup lending rather than the tax reform. Investors from Japan, by contrast, invested in Switzerland (CHF 17 billion), with the inflows resulting from corporate restructuring. A further CHF 14 billion of direct investment originated from the offshore financial centres of Central and South America.

CAPITAL STOCKS

Stocks of foreign direct investment in Switzerland totalled CHF 1,370 billion, a year-on-year rise of CHF 11 billion (up 1%). Two effects contributed to this growth. First, companies transferred their domicile to Switzerland from abroad, and second, investors abroad made large upward revaluations of their participations in Switzerland. The increase was mitigated by outflows relating to capital transactions.

The capital stocks of direct investment comprise equity capital and loans. Equity capital stocks came to CHF 1,358 billion (99%) and loan stocks to CHF 12 billion (1%). A net approach is adopted in the case of loans, with lending to parent and fellow companies abroad totalling CHF 264 billion (assets) being subtracted from borrowing from parent and fellow companies abroad totalling CHF 276 billion (liabilities).[2]

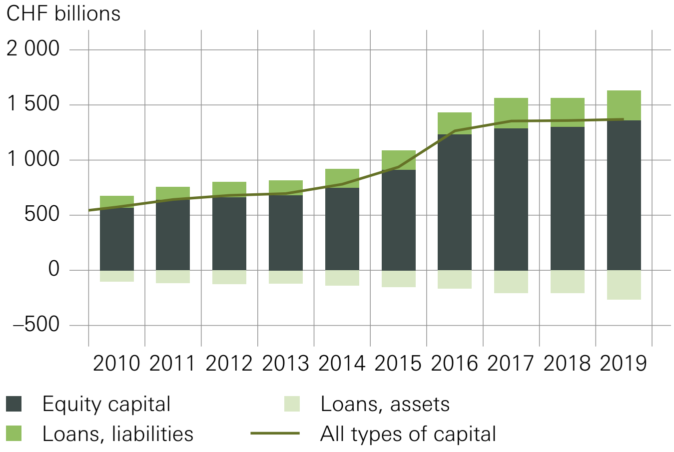
In the year under review, there were marked shifts in the types of capital. While stocks of equity capital increased year-on-year by 5% (up CHF 60 billion), stocks of loans decreased by 81% (down CHF 49 billion). The large decline in loans is due to the net approach mentioned above (loan liabilities minus loan assets). The loan assets granted to parent and fellow companies abroad (up CHF 59 billion) increased much more strongly than the loan liabilities taken on (up CHF 10 billion). These figures show that a reduction in the stocks of intragroup loans in direct investment in Switzerland cannot be interpreted as a decline in the volume of intragroup lending. Instead, a reduction means that investors abroad are increasingly financing themselves through their subsidiaries in Switzerland.

Capital stocks of foreign direct investment in manufacturing increased by CHF 6 billion to CHF 184 billion (up 3%). This was primarily attributable to companies from the chemicals and plastics category (up CHF 5 billion to CHF 97 billion). Capital stocks in the services sector increased by CHF 5 billion to CHF 1,186 billion, despite disinvestment. Benefiting from transfers of company domicile, the trade category, in particular, registered a significant increase in capital stocks (up CHF 29 billion to CHF 235 billion). Capital stocks at finance and holding companies, on the other hand, declined (down CHF 16 billion to CHF 804 billion). However, this decline was considerably less strong than would have been expected on the basis of transactions. The reason for this was that investors abroad made upward adjustments to their participations in Swiss finance and holding companies.

Chart 10

DIRECT INVESTMENT IN SWITZERLAND

Capital stocks by type of capital



Source: SNB

2 Loans to/from fellow companies abroad are included if the group headquarters is located abroad.

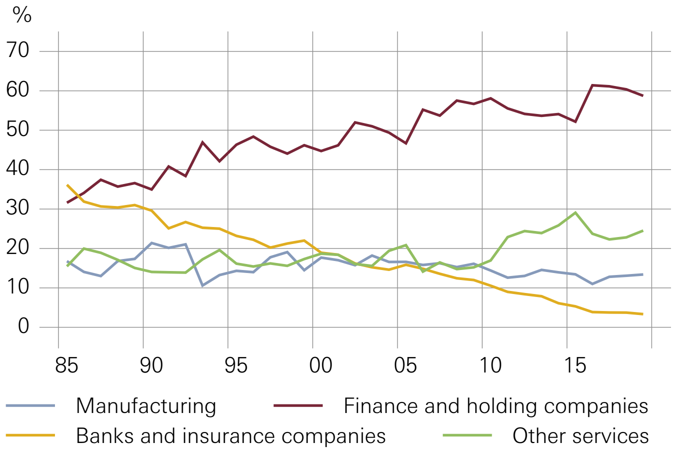
Chart 11 shows the movements in capital stocks since 1985. The proportion of foreign direct investment attributable to the manufacturing sector has consistently ranged between 10% and 20% (2019: 13%). Conversely, the proportion accounted for by the services sector has been relatively constant overall (2019: 87%), albeit with marked shifts within the sector itself. While finance and holding companies accounted for around 30% of foreign direct investment capital stocks in the mid-1980s, by 2019 this figure had risen to 59%. This contrasts with foreign direct investment in banks and insurance companies. At the beginning of the 1990s, their share of foreign direct investment stood at around 30%. However, this share subsequently declined almost continuously and accounted for only about 3% in the year under review.

The SNB publishes two breakdowns by country for domestic capital stocks, one by country of origin of the immediate investor, and the other by country of origin of the ultimate beneficial owner. Broken down by country of immediate investor, a large proportion of domestic capital stocks are held by EU-domiciled investors. This portion amounted to CHF 1,130 billion, or 83% of foreign capital stocks in Switzerland, CHF 869 billion of which was attributable to investors from the three largest European holding company locations – the Netherlands, Luxembourg and Ireland. Investment from holding company locations is mainly carried out by intermediate companies, which in turn are controlled by companies in a third country. The share of equity capital in subsidiaries in Switzerland that was held via intermediate companies has continued to rise significantly over the last ten years (cf. chart 12). In 2019, it stood at 75%.

Chart 11

DIRECT INVESTMENT IN SWITZERLAND

Capital stocks by industry category (in %)

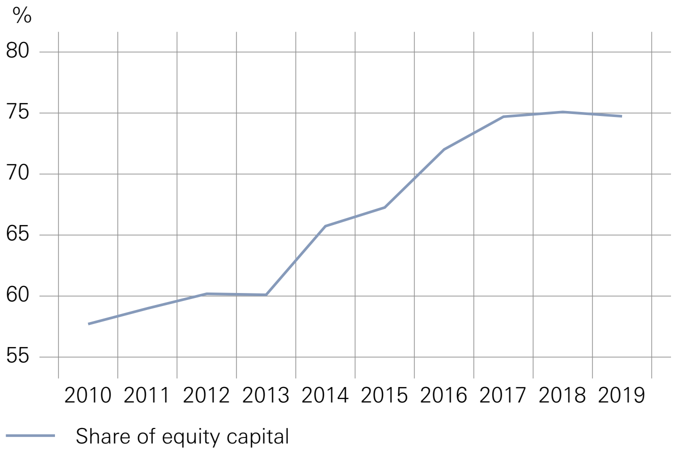


Source: SNB

Chart 12

DIRECT INVESTMENT IN SWITZERLAND

Capital stocks held via intermediate companies in third countries



Source: SNB

Because of the large proportion accounted for by intermediate companies, the SNB also provides a breakdown of capital stocks by country of origin of the ultimate beneficial owner. The US, in particular, had significantly higher capital stocks (CHF 651 billion) using this approach than in a breakdown by immediate investor (cf. chart 13). This shows that US investors mainly invested in companies in Switzerland via third countries. The same applies to investors from Asia and 'Other European countries'.

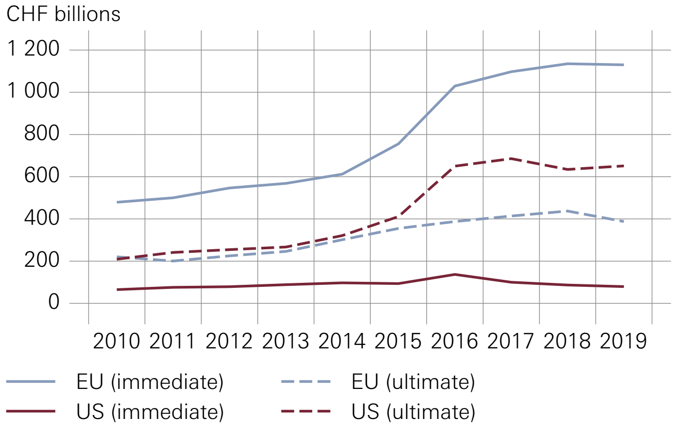
Holding company locations generally exhibit lower capital stocks from the ultimate beneficial owner perspective than from the immediate investor perspective. Thus, capital stocks ultimately controlled by Luxembourg investors totalled CHF 6 billion, i.e. only a fraction of the figure arrived at when assessed by immediate investor (CHF 386 billion). For the Netherlands, the share was CHF 59 billion, compared with CHF 384 billion. In the case of Ireland, however, the difference between the two perspectives was much smaller: CHF 81 billion by ultimate beneficial owner and CHF 99 billion by immediate investor. The reason for this is that Ireland is not just a holding company location, it is also home to the headquarters of many multinationals.

Switzerland, too, figures as a country of origin for ultimate beneficial owners. This means that direct investors from Switzerland also invest in companies in Switzerland via intermediate companies in third countries. With this practice, referred to as 'round tripping', capital originating in a country is reinvested back into that country in the form of foreign direct investment. In 2019, capital stocks invested in this way totalled CHF 73 billion (2018: CHF 57 billion).

Chart 13

DIRECT INVESTMENT IN SWITZERLAND

Capital stocks by country of origin of immediate investor and of ultimate beneficial owner



Source: SNB

Table 2

CAPITAL STOCKS FOR 2019: BREAKDOWN BY COUNTRY OF IMMEDIATE INVESTOR AND ULTIMATE BENEFICIAL OWNER

	Breakdown by immediate investor		Breakdown by ultimate beneficial owner		Difference
	In CHF billions	Share in %	In CHF billions	Share in %	In CHF billions
Europe	**1 183.0**	**86%**	**518.0**	**38%**	**–664.9**
EU	**1 130.2**	**83%**	**387.7**	**28%**	**–742.5**
Other European countries	**52.8**	**4%**	**130.3**	**10%**	**77.5**
Selected countries					
Germany	19.3	1%	51.7	4%	32.4
France	46.7	3%	58.5	4%	11.7
Ireland	99.5	7%	80.9	6%	–18.5
Luxembourg	385.8	28%	5.6	0%	–380.1
Netherlands	383.7	28%	59.4	4%	–324.3
Switzerland	.	.	72.7	5%	72.7
United Kingdom	77.1	6%	68.1	5%	–8.9
North America	**79.2**	**6%**	**685.4**	**50%**	**606.2**
Of which United States	79.4	6%	651.3	48%	571.8
Central and South America	**69.7**	**5%**	**95.5**	**7%**	**25.8**
Asia, Africa, Oceania	**37.7**	**3%**	**70.6**	**5%**	**32.9**
Japan	20.5	2%	38.2	3%	17.6
All countries	**1 369.6**	**100%**	**1 369.6**	**100%**	**0.0**

· Not applicable.

Source: SNB

INVESTMENT INCOME

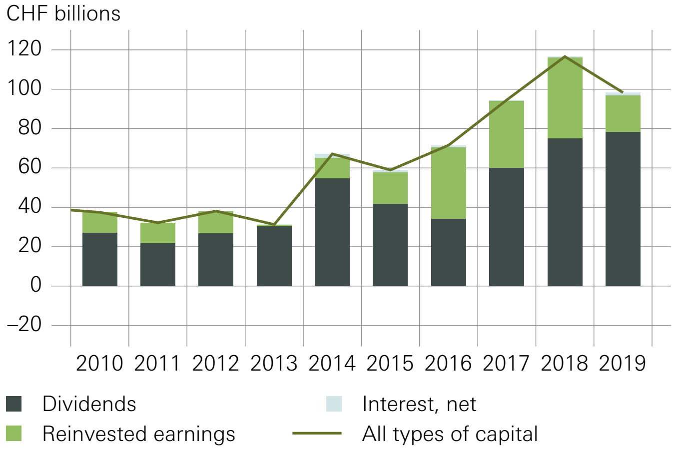
Investment income from foreign direct investment in Switzerland declined markedly year-on-year (down CHF 19 billion to CHF 98 billion). Despite lower investment income, subsidiaries in Switzerland increased dividends distributed to parent companies abroad (up CHF 3 billion to CHF 78 billion). Accordingly, reinvested earnings decreased considerably (down CHF 23 billion to CHF 18 billion).

The overall decline in investment income was attributable to substantially lower income at finance and holding companies (down CHF 22 billion to CHF 38 billion). The majority of other services sector categories, by contrast, increased their investment income; this was particularly true for subsidiaries in 'other services' (up CHF 3 billion to CHF 12 billion), and for banks and insurance companies (up CHF 2 billion to CHF 5 billion). Investment income in the manufacturing sector receded slightly overall (down CHF 1 billion to CHF 18 billion). A significant decline in investment income in the chemicals and plastics category (down CHF 6 billion to CHF 10 billion) stood in contrast to an increase in the electronics, energy, optical and watchmaking category (up CHF 4 billion to CHF 5 billion).

Chart 14

DIRECT INVESTMENT IN SWITZERLAND

Investment income by type of capital

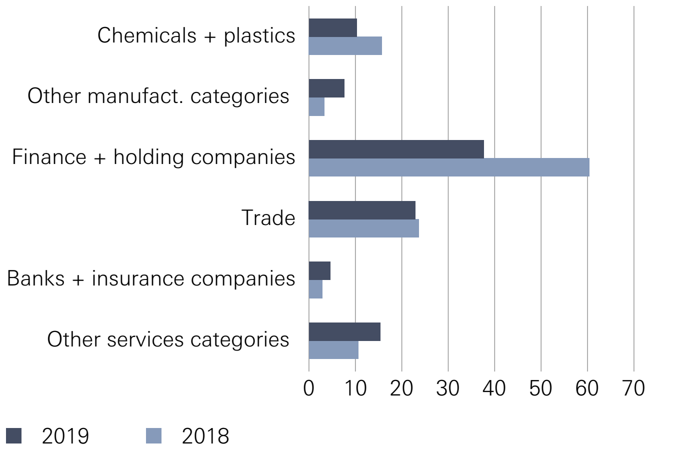


Source: SNB

Chart 15

DIRECT INVESTMENT IN SWITZERLAND

Investment income by industry category, in CHF billions



Source: SNB

4
Operational data on Swiss subsidiaries abroad and their parent companies in Switzerland

NUMBER OF STAFF AT SWISS SUBSIDIARIES ABROAD

The number of staff employed by Swiss-controlled companies at their subsidiaries abroad totalled 2,073,000.[1] Manufacturing accounted for somewhat less than two-thirds of these (down 49,000 to 1,333,000), while the services sector reported 740,000 (down 6,000).

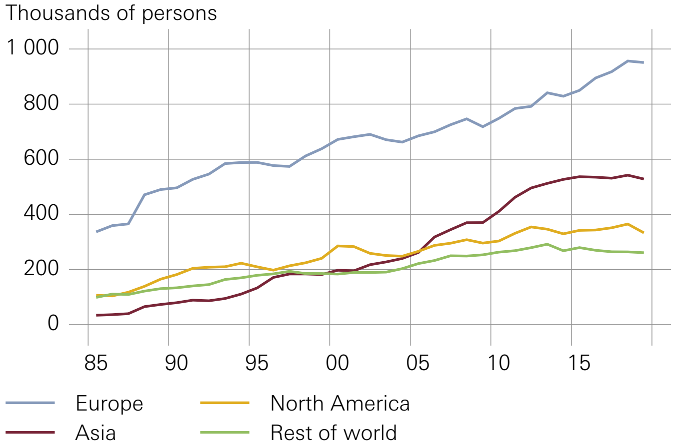
All categories of manufacturing recorded staff numbers on a par with or below the previous year's level. The 'other manufacturing and construction' category had by far the highest share of foreign employment, although at 473,000 this figure was slightly lower than in the previous year (down 4,000). The number of staff employed in the metals and machinery category remained virtually unchanged at 329,000. Companies in the electronics, energy, optical and watchmaking category employed 220,000 staff abroad, down 32,000 from the previous year. The decline was due to Swiss-controlled companies selling subsidiaries abroad. Companies in the chemicals and plastics category employed 281,000, a reduction of 13,000. Foreign employment in the textile industry remained at the previous year's level (27,000).

In the services sector, the picture was mixed. Following ten years of growth, trade recorded a slight decline in foreign employment (down 6,000); however, with 179,000 staff, it continues to have the largest share of foreign employment of any services sector category. Companies within the 'other services' category reported a headcount of 153,000 (down 3,000). Following acquisitions abroad, finance and holding companies employed 8,000 more people than in the previous year (110,000 in total). Staff numbers at subsidiaries of companies in the transportation and communications category totalled 101,000 (down 12,000). Staff numbers increased at insurance companies (up 2,000 to 105,000) and at banks (up 5,000 to 92,000).

Chart 16

STAFF NUMBERS ABROAD

Regional breakdown



Source: SNB

1 Only in companies which are covered by the direct investment statistics. The foreign employment numbers of Swiss companies not covered by these statistics are unknown.

46% of the staff of Swiss-controlled corporate groups worldwide (951,000 people) were employed in Europe. In Asia, Swiss corporate groups employed 528,000 people, which accounted for 25% of total foreign employment. In North America, Swiss-controlled groups had 333,000 employees or 16% of the total figure. The proportion of employees in the rest of the world was 13% or 261,000 employees. No year-on-year increase was reported in any region.

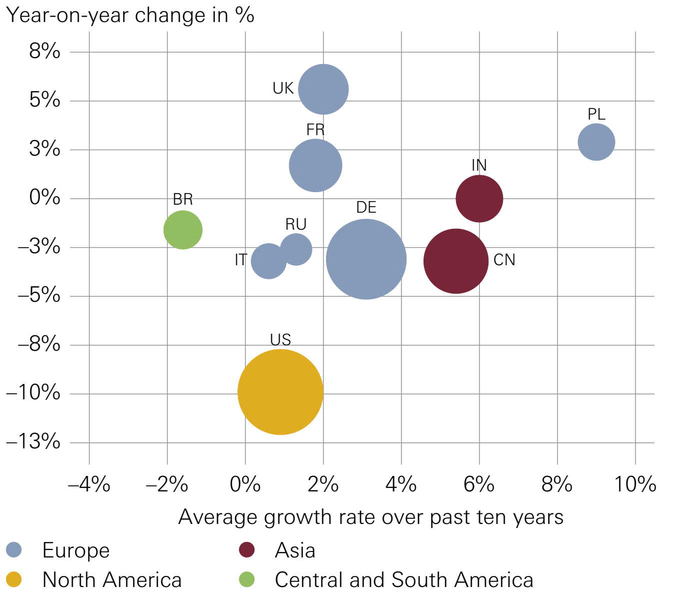
Chart 17 shows the top ten locations of Swiss-controlled companies according to the number of employees abroad. The area of the circles is proportionate to the size of the workforce. The x-axis depicts the average growth rate of staff numbers for the period 2009–2019, while the y-axis shows the percentage change between 2018 and 2019. Six of the top ten locations of Swiss corporate groups are in Europe. Germany was the leading country for foreign employment with 263,000 employees (down 8,000). In France, 114,000 employees worked for Swiss companies (up 2,000), and in the UK, 103,000 (up 6,000 due to acquisitions). In Poland, the growth trend of many years continued, up 2,000 to 56,000 employees. Staff numbers in Italy totalled 51,000 (down 2,000) and in Russia 41,000 (down 1,000). The holding company locations of the Netherlands, Luxembourg and Ireland, which play an important role in Swiss direct investment, together employed a total of 35,000, which is just under 4% of foreign employment Europe-wide.

Chart 17 also shows which locations outside Europe have high levels of foreign employment. With 298,000 employees, the US is the main location for the operational activities of Swiss companies. Compared with the previous year, staff numbers declined by 31,000 because subsidiaries abroad were sold. Two countries in Asia – China and India – figure in the top ten. Central and South America is also represented, thanks to Brazil. These non-European locations recorded a slight decline in staff numbers in the year under review.

Chart 17

STAFF NUMBERS ABROAD

Top ten countries for employment (2019)



Source: SNB

NUMBER OF STAFF AT PARENT COMPANIES IN SWITZERLAND

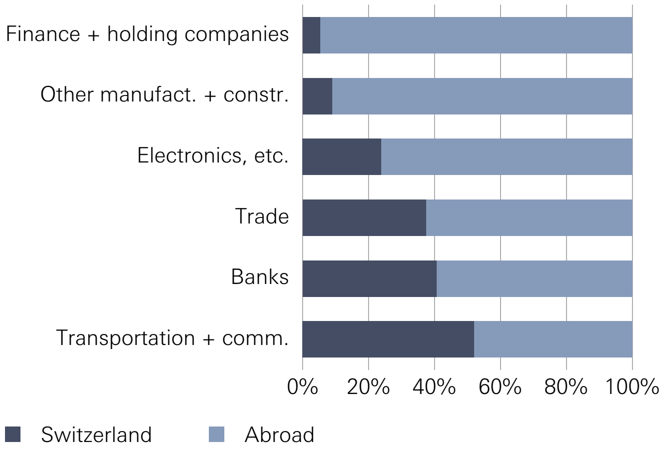
Swiss companies which invest abroad are also major employers in Switzerland. They employed 935,000 staff in Switzerland; this accounts for 18% of total employment in the domestic manufacturing and services sectors. Of these, 547,000 employees worked in companies included in the SNB's direct investment statistics. This corresponds to 59% (2018: 60%). The remaining staff were employed in Swiss-controlled companies with participations abroad that were not included in these statistics since they had capital stocks of less than CHF 10 million.

If the number of staff in Switzerland is added to the number of staff at subsidiaries abroad (2,073,000), the Swiss-controlled corporate groups surveyed by the SNB employed a total of 2,620,000 people (cf. table 3). Thus, the proportion of employees abroad accounts for 79% of the total employment figure at corporate groups. In manufacturing, the share was 86%; in services 69%. Within manufacturing, the 'other manufacturing and construction' category accounted for the highest percentage of foreign employment at 92%. The lowest percentage (76%) was in the electronics, energy, optical and watchmaking category (cf. chart 18). In the services sector, the differences between the individual industry categories were even greater: Companies in the transportation and communications category employed 48% of their staff abroad, and banks 59%. At the other end of the scale are the finance and holding companies, 95% of whose staff are employed abroad.

Chart 18

STAFF NUMBERS IN SWITZERLAND AND ABROAD

In %, by industry category (2019)



Source: SNB

Table 3

STAFF NUMBERS AT SWISS-CONTROLLED GROUPS BY SECTOR[1]

In thousands

	2015	2016	2017	2018	2019	Share In %
Employees in Switzerland	**528.3**	**540.5**	**543.1**	**555.5**	**546.9**	**20.9**
Of which manufacturing	207.4	211.4	210.2	215.5	212.7	8.1
Of which services	320.9	329.1	333.0	340.0	334.2	12.8
Employees abroad	**2 007.8**	**2 042.5**	**2 064.5**	**2 127.2**	**2 072.9**	**79.1**
Of which manufacturing	1 340.3	1 349.3	1 347.1	1 381.8	1 333.2	50.9
Of which services	667.5	693.2	717.4	745.4	739.7	28.2
Total employees	**2 536.0**	**2 582.9**	**2 607.7**	**2 682.6**	**2 619.9**	**100.0**
Of which manufacturing	1 547.7	1 560.7	1 557.3	1 597.3	1 546.0	59.0
Of which services	988.3	1 022.2	1 050.4	1 085.3	1 073.9	41.0

1 Only includes companies covered by the direct investment statistics.

Source: SNB

5
New: Investment income by country

The *Direct Investment* 2019 report includes, for the first time, a country breakdown of investment income from direct investment. This change completes the country breakdown which was previously only available for capital transactions and capital stocks. Full data on the breakdown of direct investment income by country has been collected since 2015. Time series are therefore available covering five years.

METHODOLOGICAL BASIS

PRINCIPLES OF BREAKDOWN BY COUNTRY

In the case of Swiss direct investment abroad, investment income from equity capital is reported in the country in which the directly held subsidiary of a company in Switzerland is located. This also applies in the case of a chain of affiliated companies spanning multiple countries. In this situation the profits of indirectly held participations in third countries are consolidated in the country of domicile of the directly held subsidiary and are reported there. By contrast, interest income from lending and debt securities is reported vis-à-vis the country of domicile of the immediate counterparty.

In the case of foreign direct investment in Switzerland, two country breakdowns are published for investment income, in the same way as for capital stocks: by country of origin of the immediate investor, and by country of origin of the ultimate beneficial owner. The breakdown of investment income by immediate investor and ultimate beneficial owner follows the same method as for capital stocks.[1] The interest income from lending and debt securities in both breakdowns is always reported vis-à-vis the country of the immediate counterparty.

SWISS DIRECT INVESTMENT ABROAD

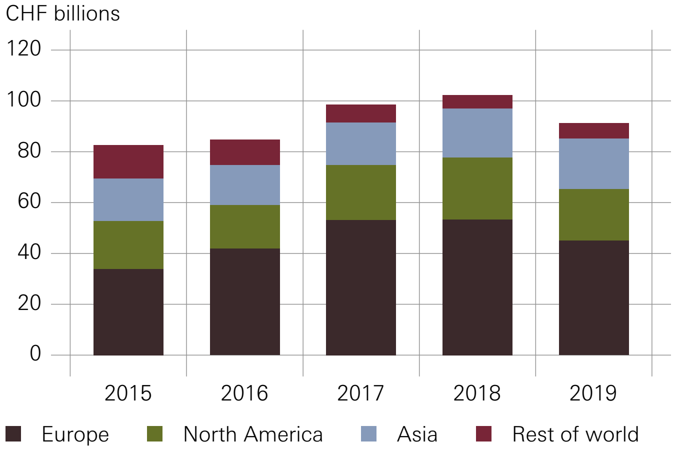
INVESTMENT INCOME BY REGION

Companies domiciled in Switzerland generated most of their investment income from direct investment in subsidiaries in Europe. In 2019, Europe accounted for CHF 45 billion, approximately 50% of the total investment income of CHF 91 billion. Subsidiaries in North America and Asia recorded investment income of CHF 20 billion respectively. By comparison, investment income from direct investment in Central and South America, Africa and Oceania was modest, at CHF 6 billion in total.

Chart 19

DIRECT INVESTMENT ABROAD

Investment income by region



Source: SNB

1 Cf. data.snb.ch, *Table selection*, *International economic affairs*, *Notes – Direct investment*, *Principles of breakdown by country*.

RATES OF RETURN BY REGION

Investment income is remuneration for the capital that the direct investor makes available to its subsidiary. The two variables – investment income and capital stocks – can be expressed as a ratio. The rate of return calculated in this way is affected by several factors. These include the valuation of equity capital at subsidiaries abroad as well as the characteristics of the investors (sector mix and investment motive) and of the investment location (fiscal regime and economic environment).

Chart 20 shows the average annual rate of return from direct investment by region for the period 2015–2019. The chart also shows the dispersion of returns in each region.[2] During the period 2015–2019, direct investment in Asia had the highest return, at 16%. This comparatively high rate of return was not attributable to one particular location but was common to several major investment locations in Asia. The rates of return on Swiss direct investment in other regions were lower: 7% in North America, 6% in Europe and 5% in the rest of the world. However, as the measure of dispersion shows, there were significant differences between locations. Singapore had the highest rate of return of all major investment locations, at 32%, while Venezuela had the lowest, at –5%.

FOREIGN DIRECT INVESTMENT IN SWITZERLAND

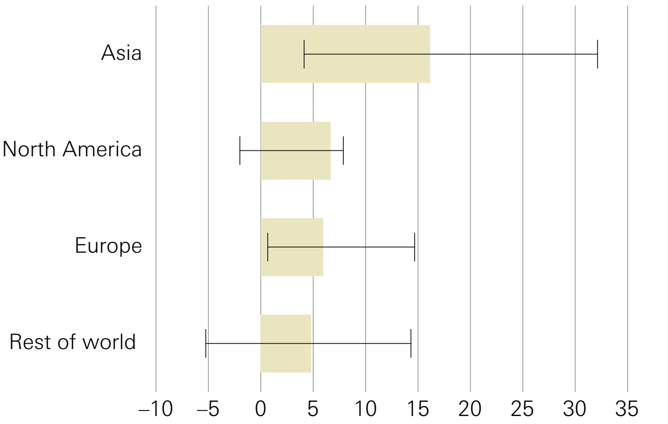
INVESTMENT INCOME BY COUNTRY OF ORIGIN

As in the case of capital stocks, the SNB publishes two country breakdowns for investment income from direct investment in Switzerland. One is by country of origin of the immediate investor, and the other by country of origin of the ultimate beneficial owner. Chart 21 shows the movements in investment income since 2015 for both breakdowns. It gives a similar picture to that for capital stocks (cf. chart 13). The breakdown by immediate investor is dominated by investors from the EU, and this share has been increasing over recent years. In 2019, EU investors accounted for CHF 86 billion of the total CHF 98 billion investment income. According to the breakdown by ultimate beneficial owner, however, US investors generated more than half of all investment income (CHF 51 billion), considerably more than investors from the EU (CHF 28 billion). Ultimate beneficial investors outside the EU and the US accounted for only CHF 19 billion, although their share of total investment income has risen significantly since 2015.

Chart 20

DIRECT INVESTMENT ABROAD

Rate of return and dispersion by region in % (2015–2019)

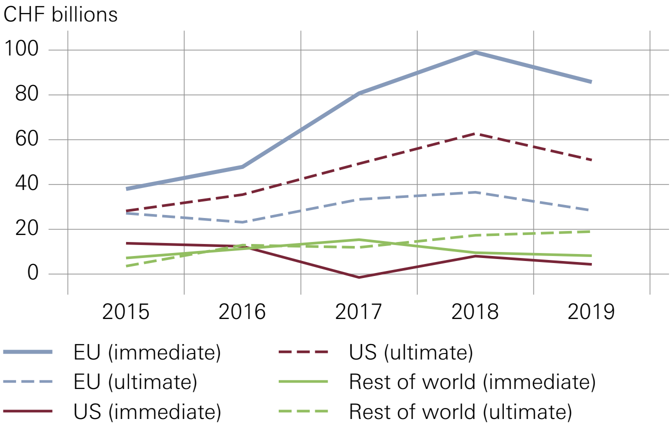


Source: SNB

Chart 21

DIRECT INVESTMENT IN SWITZERLAND

Investment income by country of origin of immediate investor and of ultimate beneficial owner



Source: SNB

2 The measure of dispersion shows the range between the locations with the highest and lowest rates of return. It only takes account of locations with average direct investment stocks of more than CHF 1 billion (2015–2019).

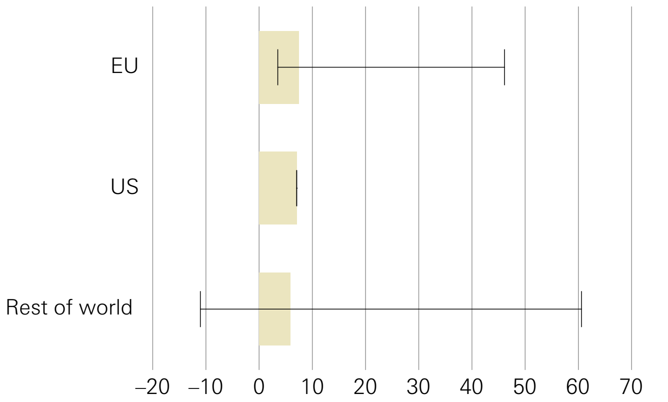
RATES OF RETURN BY COUNTRY OF ORIGIN

Chart 22 shows the average annual rate of return (investment income divided by capital stocks) broken down by country of origin of the ultimate beneficial owner for 2015–2019. It was approximately 7% for investors from the US and the EU; for investors outside the EU and the US, it was 6%. However, as the measure of dispersion shows, there were significant differences between the countries of origin of the investors.[3] The highest rate of return on direct investment in Switzerland was recorded by investors from Australia (61%); the lowest by investors from Israel (–11%).

Chart 22

DIRECT INVESTMENT IN SWITZERLAND

Rate of return and dispersion by country of origin of ultimate beneficial owner in % (2015–2019)



Source: SNB

3 The measure of dispersion shows the range between the countries of origin with the highest and lowest rates of return.

6
New: Turnover and number of Swiss subsidiaries abroad

METHODOLOGICAL BASIS

DIFFERENTIATION FROM DIRECT INVESTMENT

Statistics on the operational activity of multinational enterprises are a yardstick for the portion of economic globalisation taking place within groups. The focus is on the operational activities of subsidiaries in other countries. They thus provide a complement to the cross-border financial linkages represented by the direct investment statistics. The latter are heavily influenced by complex group structures and associated financing relationships.

The operational data on subsidiaries abroad show the real economic effects of investments abroad. They measure the extent and type of activities abroad and the integration of the Swiss economy into the world economy. This focus results in differences versus the direct investment statistics: in contrast to direct investment, the operational data on subsidiaries abroad also include indirectly held subsidiaries abroad. Only subsidiaries abroad which are majority-owned by Swiss-controlled parent companies – hereinafter referred to as Swiss parent companies – are taken into account. Direct investment abroad, on the other hand, also includes minority participations and subsidiaries of foreign-controlled parent companies.

Since 1985, the SNB has recorded a variable on operational activity in the form of the number of staff employed by Swiss subsidiaries abroad. With this report it is also publishing the variables 'turnover' and 'number of subsidiaries' abroad for the first time. The SNB has been collecting the underlying data from parent companies in Switzerland since 2014 as part of its survey on cross-border participations. As a result, the data only contain information from parent companies that meet the threshold criteria and are thus required to report to the SNB (cross-border capital stocks of at least CHF 10 million).

DEFINITIONS

Turnover comprises sales of goods and services invoiced by subsidiaries to third parties in the reporting period. Intragroup sales are therefore not included in this turnover figure. Special rules apply to the financial sector: banks report earnings in the reporting period from interest and commission business; insurance companies report premiums earned in the reporting period less retrocessions and earnings from capital investments.

The number of subsidiaries includes all direct and indirect majority participations abroad held by Swiss parent companies. Entities are recorded regardless of their legal form, i.e. legally dependent entities are also included.

NUMBER OF SWISS SUBSIDIARIES ABROAD

INDUSTRY CATEGORIES

In 2019, Swiss parent companies held 19,580 majority participations abroad. There were 8,370 subsidiaries in manufacturing and 11,210 in services, with the breakdown by industry category referring to the main activity of the group worldwide. The 'other services' category stands out, with over 6,000 subsidiaries; the context here is companies whose business models are based on a dense global network of micro-agencies.

The five-year comparison shows that the number of subsidiaries has increased by almost 12%, from 17,430 to 19,580. In manufacturing and in services the increase was 21% and 6%, respectively. The largest expansion in the number of foreign subsidiaries was recorded by trade (up 71%), followed by the electronics, energy, optical and watchmaking category (up 55%). However, banks and companies in the transportation and communications category had fewer subsidiaries in the year under review than in 2014.

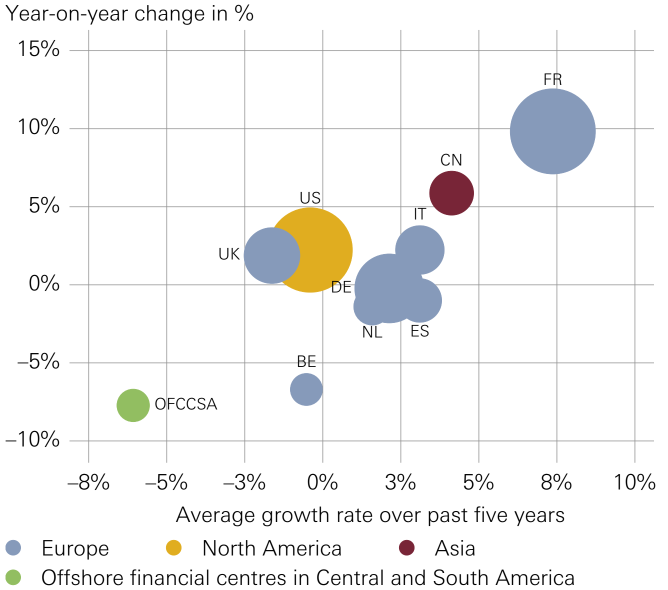
REGIONS

Chart 24 shows the ten locations with the most subsidiaries abroad. The area of the circles is proportionate to the number of subsidiaries. The x-axis reflects the average growth rate for the period 2014–2019, while the y-axis shows the percentage change between 2018 and 2019. The majority of the subsidiaries (57%) were located in Europe: Swiss groups held the largest number of subsidiaries in France (2,630 or 13% of the total), followed by Germany (9%) and the UK (6%). France recorded the highest growth rate both in 2019 and in the period under review. The main non-European location was the US, which accounted for 13% of subsidiaries. In China, there were approximately 700 Swiss subsidiaries (4% of the total), an increase of 6% versus the previous year.

Chart 24

NUMBER OF SUBSIDIARIES ABROAD

Top ten locations (2019)

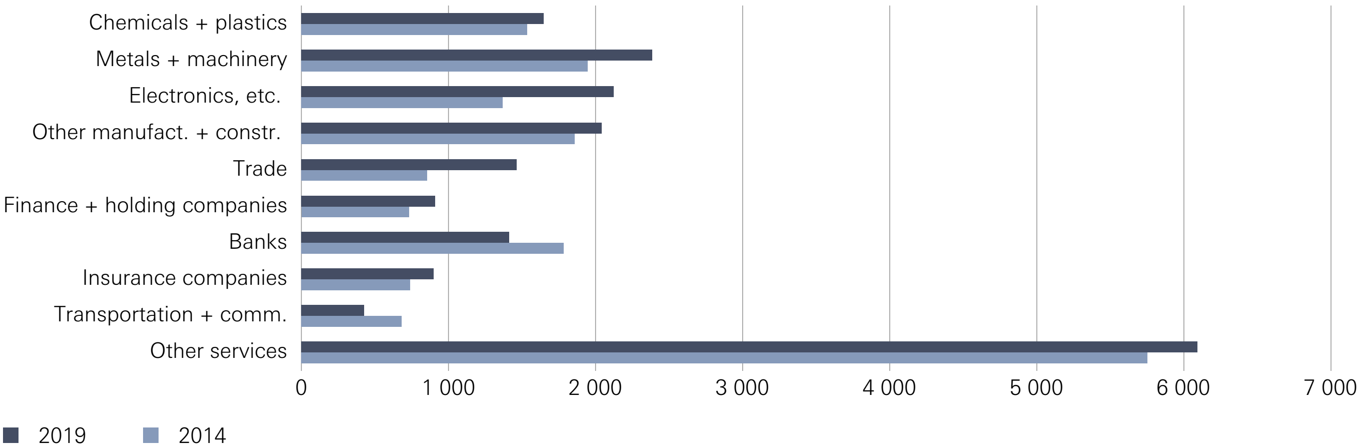


Source: SNB

Chart 23

NUMBER OF SUBSIDIARIES ABROAD

By industry category



Source: SNB

AVERAGE COMPANY SIZE

Chart 25 shows the average company size by industry category for 2014 and 2019. In 2019, Swiss-controlled companies employed an average of 106 people at their subsidiaries abroad (2014: 112). On average, the transportation and communications and 'other manufacturing and construction' categories employed the most staff per subsidiary, with 235 and 232 employees respectively. 'Other services' had the lowest number of employees per subsidiary, with 25.

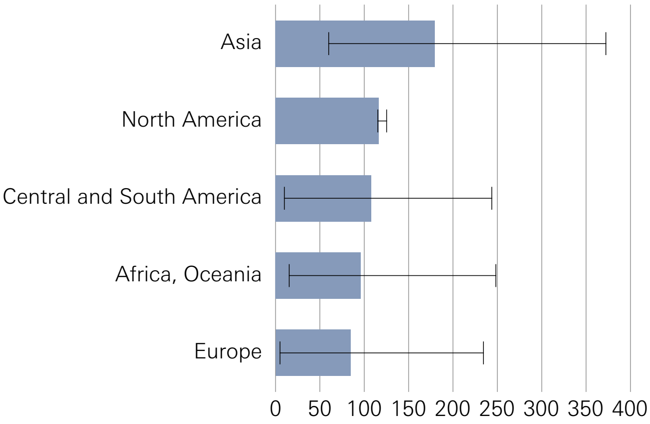
Chart 26 shows a regional breakdown of the average size of companies and its dispersion.[1] The subsidiaries in Asia employed the most staff per company, with 179 people on average. Pakistan, India and Vietnam topped the list, with around 350 employees. At the other end of the spectrum was Europe, where an average of 84 people were employed. The comparatively low average company size in Europe is partly due to the fact that the continent is home to several locations with a high density of special purpose entities, which typically have few employees. For example, the number of employees per company in Europe's offshore financial centres was only five, less than in any other location.

1 The measure of dispersion shows the range between the locations with the largest and smallest average company size.

Chart 26

AVERAGE COMPANY SIZE

Staff numbers and dispersion by region (2019)

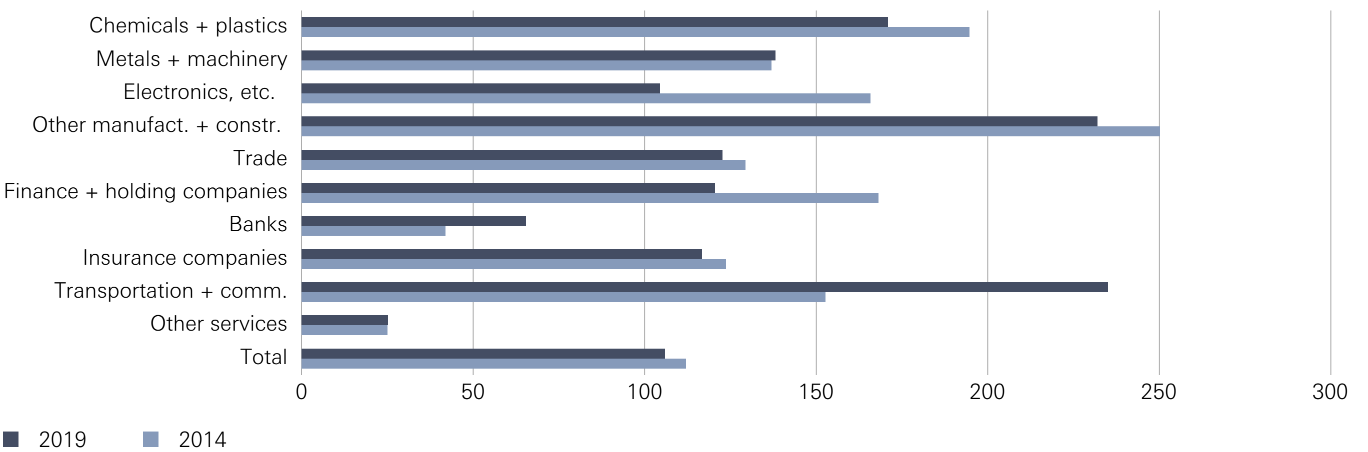


Source: SNB

Chart 25

AVERAGE COMPANY SIZE

Staff numbers by industry category



Source: SNB

TURNOVER OF SWISS SUBSIDIARIES ABROAD

INDUSTRY CATEGORIES

In 2019, foreign subsidiaries of Swiss groups generated turnover of CHF 741 billion. Chart 27 shows the turnover by industry category for 2014 and 2019.

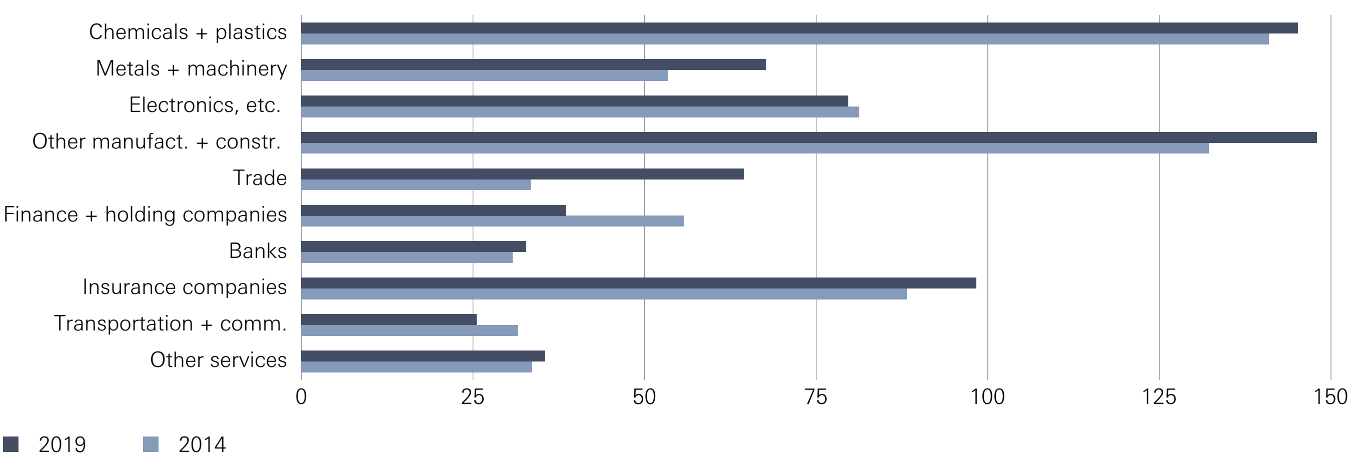
Subsidiaries in manufacturing recorded turnover of CHF 446 billion, or 60% of the total. The services sector reported turnover of CHF 295 billion. Two industry categories in manufacturing had the highest turnover: other manufacturing and construction (CHF 148 billion) and chemicals and plastics (CHF 145 billion) accounted for approximately one-fifth of the total respectively. In services, insurance companies had the highest turnover, earning gross premiums of CHF 98 billion, followed by trade, with CHF 64 billion. Earnings from banks' interest and commission business contributed 4% or CHF 33 billion to total turnover.

From 2014 to 2019, the turnover generated by subsidiaries abroad increased by almost 8%, from CHF 687 billion to CHF 741 billion. The strongest increase by far was recorded by trade (up 93%), although metals and machinery (up 27%) and insurance companies (up 12%) also saw above-average growth in turnover. By contrast, finance and holding companies have recorded a significant decline in turnover since 2014 (down 31%). The reason for this decrease is that formerly Swiss-controlled holding companies are now foreign-controlled and their turnover abroad is thus no longer included in the statistics.

Chart 27

TURNOVER ABROAD

By industry category, in CHF billions



Source: SNB

REGIONS

Chart 28 shows the top ten locations of Swiss-controlled companies according to turnover abroad. The area of the circles is proportionate to turnover. The x-axis shows the average growth in turnover for the period 2014–2019, while the y-axis shows the percentage change between 2018 and 2019. Swiss-controlled companies achieved the highest turnover in their European subsidiaries (a total of CHF 307 billion or 41%). In Europe, Germany recorded the highest turnover (CHF 74 billion), followed by France (CHF 48 billion) and the UK (CHF 32 billion). A negative average growth rate is shown for the UK as a result of companies changing from Swiss control to foreign control and their turnover no longer being included in the statistics. Outside Europe, Swiss-controlled subsidiaries in the US recorded the highest turnover (CHF 200 billion). In Asia, turnover totalled CHF 143 billion, with two Asian locations, China and Japan, ranking in the global top ten. Within this group, China also recorded the strongest turnover growth during the period under review, at 7% annually.

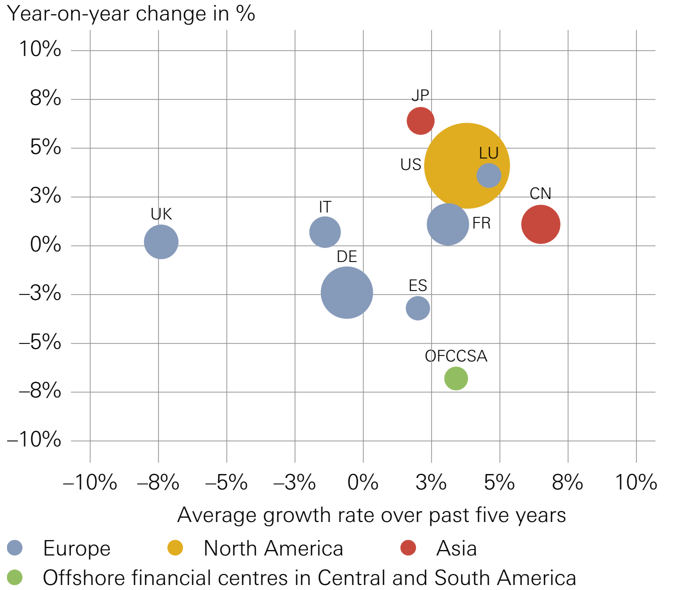
TURNOVER PER EMPLOYEE

In 2019, Swiss-controlled companies generated an average of CHF 357,000 in turnover per employee abroad. Chart 29 shows turnover per employee by industry category for 2014 and 2019. In manufacturing, each employee accounted for CHF 334,000, while in services this figure was CHF 399,000. Within manufacturing, the chemicals and plastics category had the highest turnover, at CHF 516,000 per person. The figure for metals and machinery was less than half that, at CHF 206,000. In services, the differences between the industry categories were even more pronounced: by far the highest figure, CHF 936,000, was reported by insurance companies; this number was 2.5 times higher than the average in the services sector. At the bottom end were 'other services', with annual turnover of CHF 232,000 per employee.

Chart 28

TURNOVER ABROAD

Top ten locations with the highest turnover (2019)

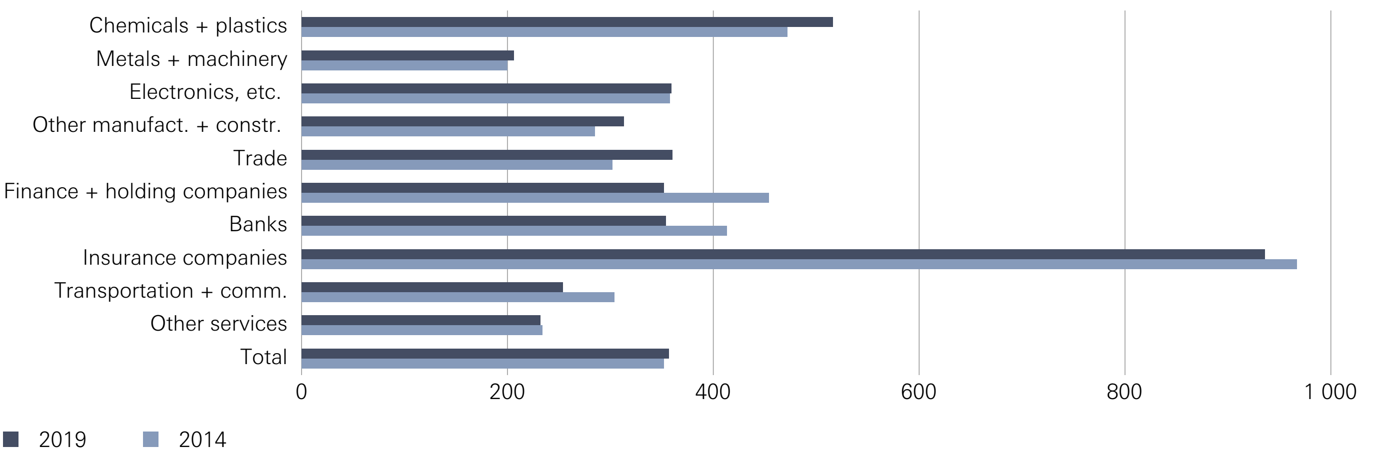


Source: SNB

Chart 29

TURNOVER PER EMPLOYEE

By industry category, in CHF thousands



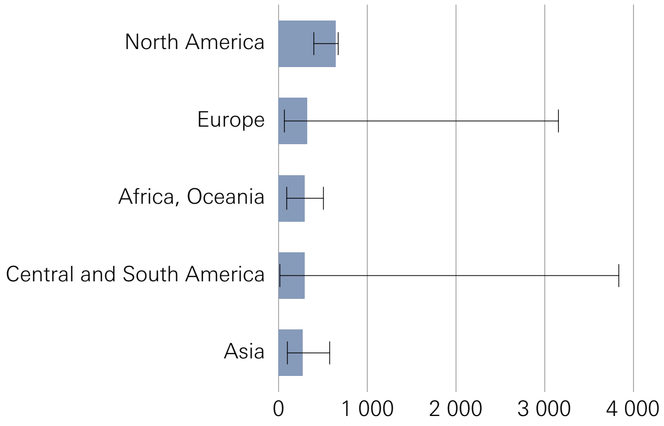
Source: SNB

Chart 30 shows a regional breakdown of turnover per employee and its dispersion.[2] At CHF 643,000, the North American subsidiaries generated by far the highest turnover per employee, followed by Europe, with CHF 323,000. While differences in turnover per employee were moderate between the regions, between the individual countries they were very large. In Luxembourg, turnover per employee was CHF 3.2 million, ten times the European average; in the Central and South American offshore financial centres, the figure was even 13 times higher, at CHF 3.8 million. These locations are home to a comparatively large number of special purpose entities, where high turnover is generated with a small number of employees and labour-intensive production plays no role. In Venezuela, by contrast, turnover per employee stood at just CHF 15,000. Exchange rate effects are clearly apparent here. Turnover is recorded in local currency and converted into Swiss francs for statistical purposes.

Chart 30

TURNOVER PER EMPLOYEE

Dispersion by region (2019; in CHF thousands)



Source: SNB

2 The measure of dispersion shows the range between the locations with the highest and lowest turnover per employee.

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