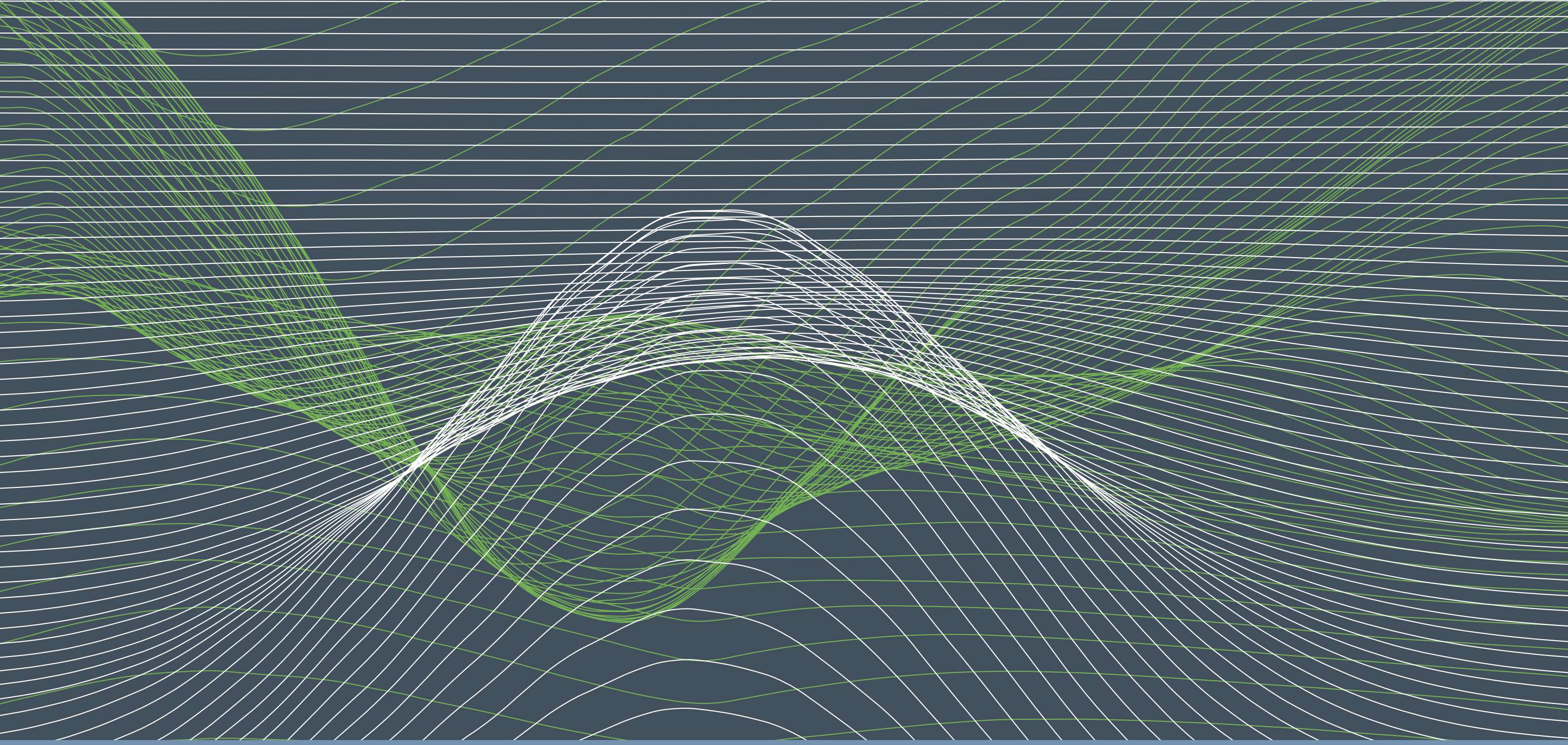

Direct Investment
2020

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

Direct Investment
2020

Volume 21

SNB BNS

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Summary of direct investment in 2020

SWISS DIRECT INVESTMENT ABROAD

In 2020, companies domiciled in Switzerland (resident companies) continued to withdraw funds from their non-resident subsidiaries. The net disinvestment amounted to CHF 34 billion (2019: CHF 54 billion) and was primarily attributable to finance and holding companies, which withdrew CHF 53 billion from their non-resident subsidiaries. In particular, they reduced the equity capital of their subsidiaries as part of corporate restructuring. By contrast, resident companies in the other industry categories recorded a net increase in their direct investment, notably in the trade (CHF 12 billion) and 'other services' (CHF 7 billion) categories in the services sector, and in the chemicals and plastics category (CHF 12 billion) in the manufacturing sector.

The withdrawal of funds primarily concerned subsidiaries in holding company locations. Disinvestment in Luxembourg, Ireland and the Netherlands totalled CHF 49 billion. Resident companies withdrew a further CHF 42 billion from Cyprus and CHF 27 billion from the offshore financial centres in Central and South America. Other holding company locations, by contrast, benefited from corporate restructuring. Hungary, in particular, recorded direct investment inflows of CHF 25 billion. As regards Europe, resident companies also invested in Spain (CHF 3 billion), in the form of acquisitions, as well as in the UK (CHF 5 billion). Outside Europe, the US (CHF 16 billion) and Singapore (CHF 11 billion) were the most popular destinations for Swiss direct investment.

Stocks of direct investment abroad came to CHF 1,460 billion, of which equity capital accounted for CHF 1,354 billion (93%), and intragroup loans CHF 106 billion (7%). At CHF 578 billion (40%), by far the largest capital stocks abroad were reported by finance and holding companies, this despite the disinvestment in the last two years. They were followed by the chemicals and plastics category at CHF 179 billion (12%).

Due to the impact of the coronavirus pandemic, income from direct investment abroad declined by 27% year-on-year from CHF 105 billion to CHF 77 billion. Resident investors received significantly reduced dividends from their non-resident subsidiaries (down CHF 28 billion to CHF 61 billion). Lower income was recorded by subsidiaries in both the services sector (down CHF 22 billion to CHF 41 billion) and the manufacturing sector (down CHF 6 billion to CHF 36 billion).

FOREIGN DIRECT INVESTMENT IN SWITZERLAND

In 2020, non-resident investors again effected substantial withdrawals from resident companies. The net disinvestment amounted to CHF 153 billion (2019: CHF 105 billion; 2018: CHF 82 billion). The bulk of the withdrawals (CHF 165 billion) were in the finance and holding companies category, where US parent companies liquidated or reduced the balance sheets of their Swiss-domiciled subsidiaries. The subsidiaries concerned were largely special purpose entities (SPEs), i.e. companies with a specific activity set up for a narrowly defined task, such as the financing of groups or tax optimisation. By contrast with the finance and holding companies category, other industries mainly registered inflows. In the services sector, non-resident investors predominantly invested in companies in the 'other services' category (CHF 11 billion), and as regards the manufacturing sector primarily in the 'other manufacturing and construction' category (CHF 12 billion).

Stocks of foreign direct investment in Switzerland amounted to CHF 1,216 billion, of which equity capital accounted for CHF 1,159 billion (95%) and intragroup loans for CHF 58 billion (5%). A breakdown by immediate investor shows that 73% of the capital stocks originated from EU investors and 13% from US investors. However, this breakdown does not fully reflect the domiciles of the ultimate beneficial owners in control of resident companies. 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 domicile of the ultimate beneficial owner. This breakdown shows that investors from the US and the EU controlled 47% and 29% of the capital stocks respectively.

Due to the impact of the coronavirus pandemic, income from foreign direct investment in Switzerland declined by 36% from CHF 109 billion to CHF 69 billion. At the same time, dividends and net interest transferred to non-resident investors came to CHF 73 billion, resulting in negative reinvested earnings of CHF –4 billion. Lower investment income was recorded by subsidiaries in both the services sector (down CHF 35 billion to CHF 53 billion) and the manufacturing sector (down CHF 5 billion to CHF 16 billion).

OPERATIONAL DATA ON NON-RESIDENT SUBSIDIARIES AND THEIR RESIDENT PARENT COMPANIES

The Swiss-controlled companies surveyed by the SNB controlled 19,200 non-resident subsidiaries, where they employed 2,019,000 people and generated annual turnover of CHF 696 billion. Swiss groups recorded a 7% decrease in turnover year-on-year at their non-resident subsidiaries due to the impact of the coronavirus pandemic. The number of employees abroad declined by 3%. The companies surveyed by the SNB that have participations in non-resident enterprises are also significant employers in Switzerland, where they employed 539,000 people.

AVAILABILITY AND REVISION OF DATA

Comprehensive tables on direct investment and operational data on 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 is customary, the Direct Investment 2020 report includes a revision of past years' figures, in this case for the period 2016–2019. All components of direct investment in both directions as well as the operational data on non-resident subsidiaries have been revised. Overall, the revisions were less extensive than in previous years.

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

Table 1

DIRECT INVESTMENT 2020: OVERVIEW

		2019	2020
Swiss direct investment abroad			
Capital transactions	in CHF billions	–54.5	–34.0
Capital stocks	in CHF billions	1 477.1	1 460.0
Investment income	in CHF billions	105.2	77.0
Foreign direct investment in Switzerland			
Capital transactions	in CHF billions	–105.4	–153.1
Capital stocks	in CHF billions	1 376.0	1 216.3
Investment income	in CHF billions	108.9	69.3
Operational data on non-resident subsidiaries and their resident parent companies[1]			
Number of staff at non-resident subsidiaries of resident companies	in thousands	2 086.6	2 019.0
Turnover of non-resident subsidiaries of resident companies	in CHF billions	748.6	695.7
Number of non-resident subsidiaries		19 638	19 233
Number of staff at resident parent companies	in thousands	549.8	539.2

1 Only includes companies covered by the direct investment statistics.

Source(s): SNB

2
Swiss direct investment abroad

CAPITAL TRANSACTIONS

In 2020, resident companies continued to withdraw funds from their non-resident subsidiaries. The net withdrawal of funds amounted to CHF 34 billion (2019: CHF 54 billion). Although the repatriation of funds only concerned equity capital (CHF 65 billion), it significantly exceeded investments in the form of intragroup loans (CHF 18 billion) and reinvested earnings (CHF 13 billion).

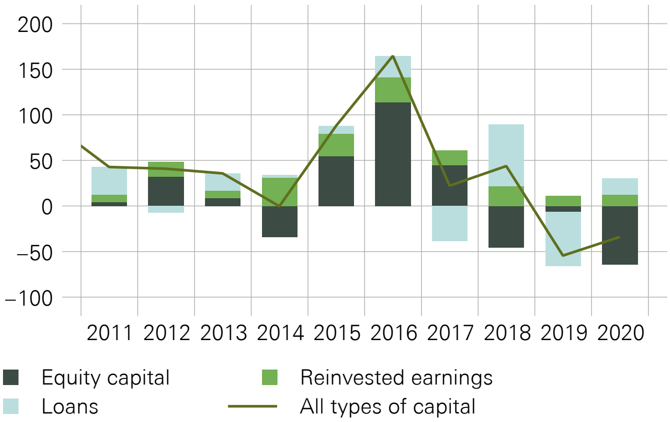
The disinvestment was primarily attributable to finance and holding companies, which withdrew CHF 53 billion from their non-resident subsidiaries. In particular, they reduced their equity capital as part of corporate restructuring. By contrast, resident companies in other industry categories recorded a net increase in their direct investment abroad. In the services sector, this applied above all to companies in the trade (CHF 12 billion) and 'other services' (CHF 7 billion) categories. In manufacturing, this was especially the case for the chemicals and plastics category (CHF 12 billion), whereas in the electronics, energy, optical and watchmaking category and 'other manufacturing and construction' withdrawals exceeded investment (by CHF 6 billion in each case).

The withdrawal of funds primarily concerned subsidiaries in holding company locations. Disinvestment in Luxembourg, Ireland and the Netherlands totalled CHF 49 billion. Swiss-domiciled companies withdrew a further CHF 42 billion from Cyprus and CHF 27 billion from the offshore financial centres in Central and South America. Other holding company locations, by contrast, benefited from corporate restructuring, although to a much lesser extent. Hungary, in particular, increasingly seems to be establishing itself as an investment location for finance and holding companies. With investment of CHF 25 billion, it was again the most important destination for Swiss direct investment, as in 2019. Outside the holding company locations, resident companies invested mainly in subsidiaries in the US (CHF 16 billion) and in Singapore (CHF 11 billion). They also invested in Spain (CHF 3 billion), in the form of acquisitions, as well as in the UK (CHF 5 billion). In addition, resident companies invested in Australia and Africa (CHF 4 billion and CHF 2 billion respectively).

Chart 1

DIRECT INVESTMENT ABROAD

Capital transactions by type of capital

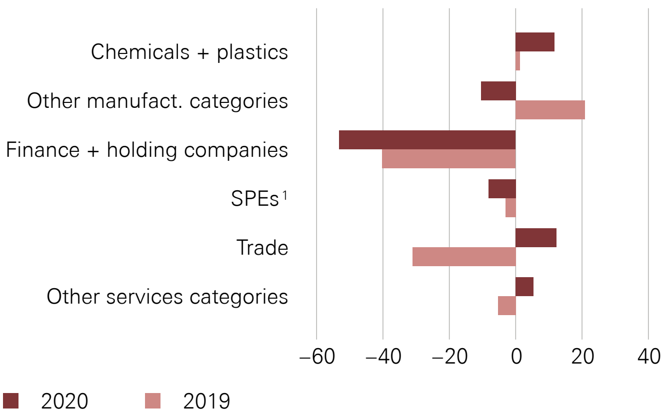


Source(s): SNB

Chart 2

DIRECT INVESTMENT ABROAD

Capital transactions by industry category, in CHF billions



1 SPEs are included under finance + holding companies.

Source(s): SNB

CAPITAL STOCKS

Stocks of direct investment abroad amounted to CHF 1,460 billion, a year-on-year decline of CHF 17 billion (down 1%). Direct investment capital stocks comprise equity capital and loans. Equity capital amounted to CHF 1,354 billion (93%) and loans to CHF 106 billion (7%). A net approach is adopted in the case of loans, with borrowing from non-resident subsidiaries and fellow enterprises totalling CHF 288 billion (liabilities) being subtracted from lending to non-resident subsidiaries and fellow enterprises totalling CHF 394 billion (assets).[1]

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 largest direct investors (source: IMF, data.imf.org/CDIS). Reasons for this include the fact that numerous large multinationals are headquartered in Switzerland and that it is an attractive location for foreign-controlled holding companies.

In the services sector, capital stocks in non-resident subsidiaries remained unchanged at CHF 1,009 billion. The fact that no reduction in capital stocks was observed in this sector despite high disinvestment is attributable to upward adjustments at non-resident subsidiaries. These are often carried out in the context of corporate restructuring and are not recognised as capital transactions. They arise when capital stocks of non-resident subsidiaries, which are reported at book value, are adjusted to the higher market value prior to the reorganisation. Above all, the capital stocks of non-resident subsidiaries of finance and holding companies and of companies in the 'other services' category benefited from such revaluations. They led to a less pronounced reduction in the capital stocks of finance and holding companies (down CHF 19 billion to CHF 578 billion), and to a stronger increase in the capital stocks of the 'other services' category (up CHF 19 billion to CHF 39 billion) than would have been expected on the basis of transactions.

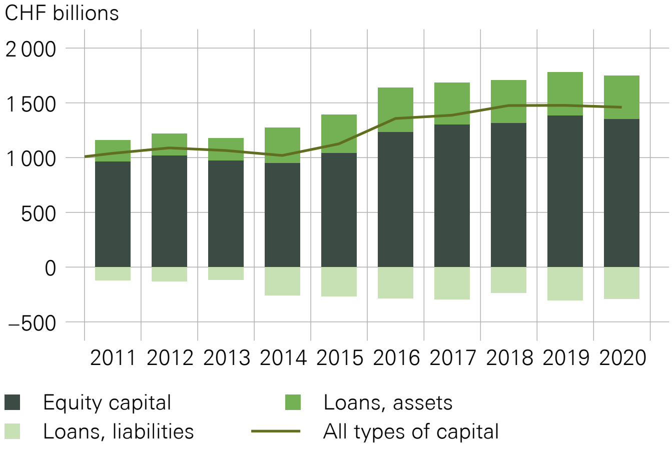
Chart 4 shows the movements in capital stocks since 1985. In the mid-1980s, the manufacturing sector still accounted for over 70%. This proportion receded steadily until the beginning of the 2000s, before levelling out and remaining fairly constant ever since (2020: 31%). The opposite trend was observed 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 (2020: 40%) despite the withdrawals by companies in this category observed since 2018. 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

1 Loans between non-resident fellow enterprises are included if the group headquarters is resident.

Chart 3

DIRECT INVESTMENT ABROAD

Capital stocks by type of capital

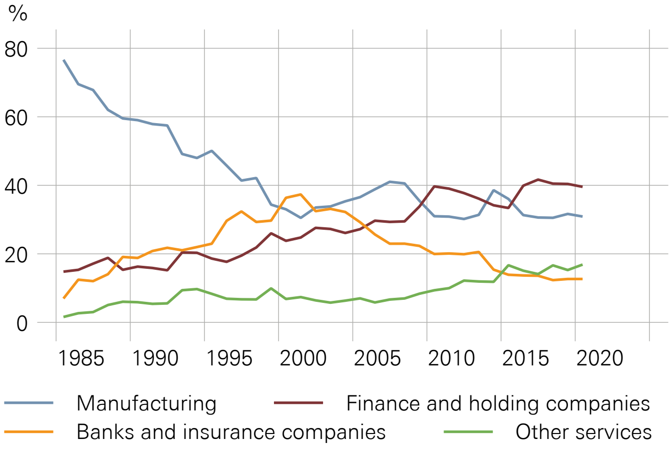


Source(s): SNB

Chart 4

DIRECT INVESTMENT ABROAD

Capital stocks by industry category (in %)



Source(s): SNB

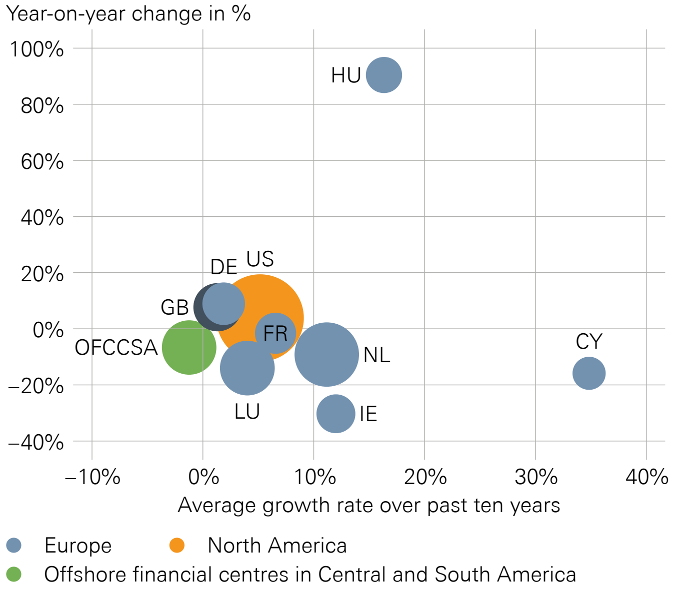
recorded 35 years before. In the interim, however, the share of banks and insurance companies in overall direct investment abroad had been significantly higher (2001: 37%).

Chart 5 shows the most significant target locations for Swiss direct investment in terms of capital stocks as at the end of 2020 (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 2010–2020, while the y-axis shows the year-on-year change in percent against 2019. It is clear from the chart that growth in capital stocks during this period was largely concentrated at the European holding company locations. However, among these locations, Ireland, the Netherlands, Luxembourg and Cyprus recorded a substantial reduction in capital stocks in the year under review. Hungary was an exception, registering an increase in capital stocks of 90%. The marked changes in the level of capital stocks at the holding company locations year-on-year reflect the high mobility of the intermediate companies that predominate there. Thus the capital stocks of Swiss direct investment at the aforementioned five European holding company locations decreased by 9% year-on-year overall, down CHF 44 billion to CHF 423 billion. This decline also had a decisive impact on the development of capital stocks at subsidiaries in Europe as a whole, which were 3% lower at CHF 818 billion (down CHF 24 billion). The picture was the same in Central and South America, where capital stocks fell by 6% (down CHF 10 billion to CHF 144 billion), primarily attributable to the offshore financial centres located there. In the other regions of the world, by contrast, stocks of Swiss direct investment rose. They reached new highs in North America (up CHF 5 billion to CHF 324 billion), Asia (up CHF 6 billion to CHF 147 billion), and Africa (up CHF 1 billion to CHF 15 billion).

Chart 5

DIRECT INVESTMENT ABROAD

Capital stocks of top ten investment locations (2020)



Source(s): SNB

INVESTMENT INCOME

Due to the impact of the coronavirus pandemic, income from direct investment abroad declined by 27% from CHF 105 billion to CHF 77 billion, its lowest level since 2013. Resident investors received lower dividends from their non-resident subsidiaries (down CHF 28 billion to CHF 61 billion) and also reported less interest income on intragroup loans (down CHF 1 billion to CHF 4 billion). Reinvested earnings, by contrast, were slightly higher year-on-year (up CHF 1 billion to CHF 13 billion).

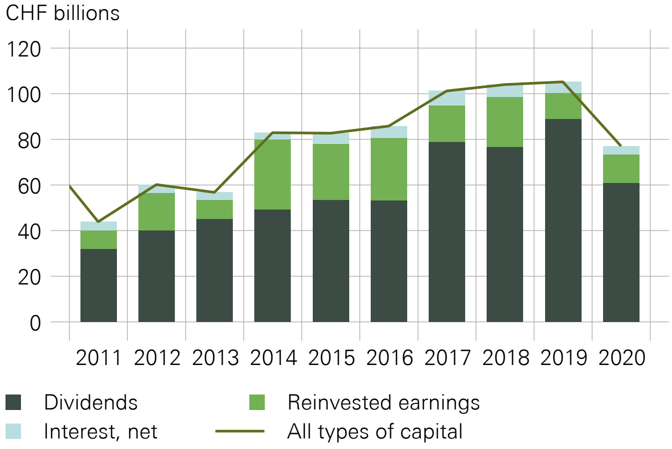
The decline in investment income was considerably more pronounced in the services sector at 35% (down CHF 22 billion to CHF 41 billion) than in the manufacturing sector at 14% (down CHF 6 billion to CHF 36 billion). In the case of services, this was mainly attributable to the finance and holding companies, whose income halved year-on-year (down CHF 18 billion to CHF 18 billion). Investment income was also significantly lower in the trade category (down CHF 3 billion to CHF 7 billion). There was a mixed picture in the financial industry, however, with investment income declining at insurance companies (down CHF 3 billion to CHF 9 billion) but doubling in the case of banks (up CHF 2 billion to CHF 4 billion). In the case of manufacturing, the decrease in investment income primarily affected the electronics, energy, optical and watchmaking category as well as the chemicals and plastics category.

Chart 8 shows the geographic breakdown of investment income from direct investment abroad. Income from subsidiaries in Europe came to CHF 29 billion (down CHF 16 billion), in Asia to CHF 21 billion (down CHF 10 billion) and in North America to CHF 17 billion (down CHF 6 billion). The decline in investment income was thus broad-based geographically; only the 'Rest of world' category registered a year-on-year increase in investment income (up CHF 4 billion to CHF 11 billion), due to higher investment income from subsidiaries in the offshore financial centres of Central and South America.

Chart 6

DIRECT INVESTMENT ABROAD

Investment income by type of capital

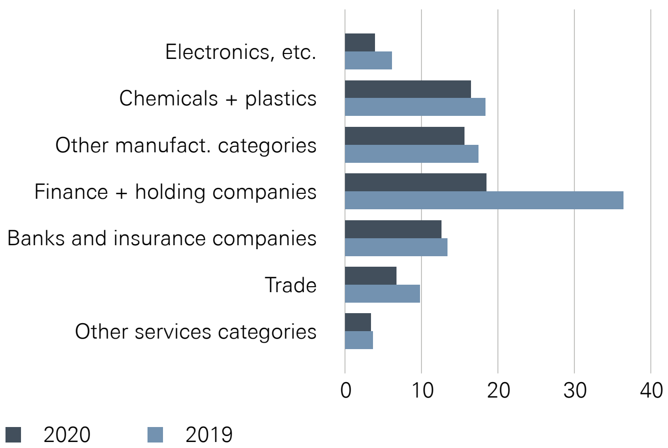


Source(s): SNB

Chart 7

DIRECT INVESTMENT ABROAD

Investment income by industry category, in CHF billions

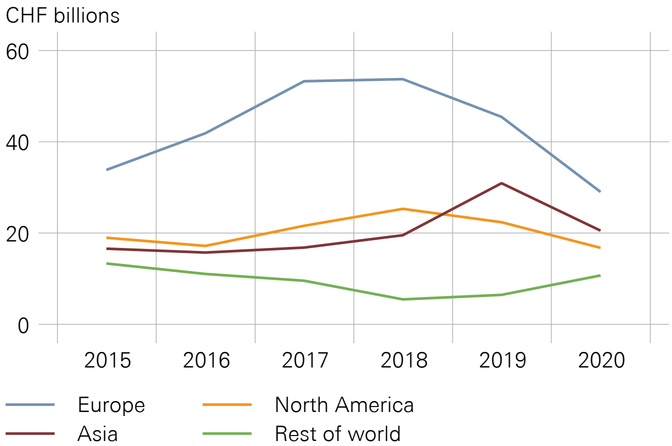


Source(s): SNB

Chart 8

DIRECT INVESTMENT ABROAD

Investment income by region



Source(s): SNB

3

Foreign direct investment in Switzerland

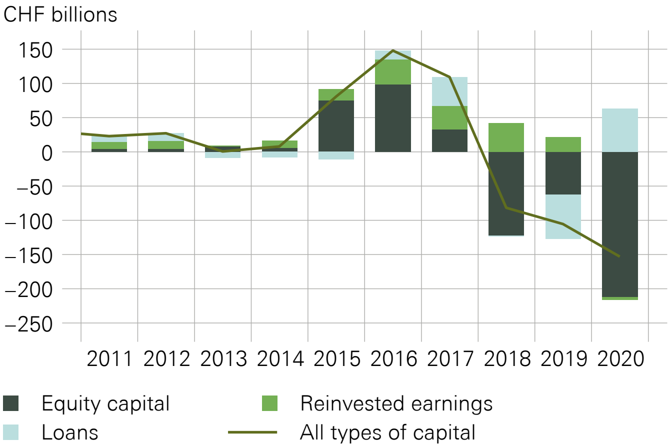
CAPITAL TRANSACTIONS

In 2020, non-resident investors again effected substantial withdrawals from resident companies. The net disinvestment amounted to CHF 153 billion (2019: CHF 105 billion; 2018: CHF 82 billion), and was primarily attributable to non-resident investors reducing equity capital as part of corporate restructuring (by CHF 212 billion). A further contributor to the net disinvestment was a reduction in retained income (negative reinvested earnings of CHF –4 billion). Intragroup loans, by contrast, produced an inflow of funds of CHF 63 billion, which was likewise connected to the aforementioned corporate restructuring.

The bulk of the withdrawals (CHF 165 billion) were in the finance and holding companies category, where US parent companies, in particular, liquidated or reduced the balance sheets of their Swiss-domiciled subsidiaries as in previous years. The subsidiaries concerned were largely SPEs, i.e. companies with a specific activity set up for a narrowly defined task, such as the financing of groups or tax optimisation.[1] By contrast with the finance and holding companies category, the other industry categories mainly registered inflows. In the services sector, non-resident investors predominantly invested in companies in the ‘other services’ category (CHF 11 billion), and in the manufacturing sector primarily in companies in the ‘other manufacturing and construction’ category (CHF 12 billion).

Chart 9

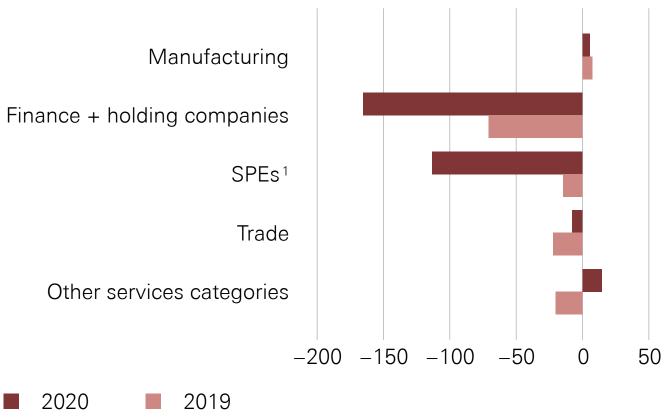
DIRECT INVESTMENT IN SWITZERLAND
Capital transactions by type of capital



Source(s): SNB

Chart 10

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



1 SPEs are included under finance + holding companies.

Source(s): SNB

1 Cf. Direct Investment 2016 report, Special topic: Pass-through capital in Switzerland’s direct investment statistics, pp. 21 et seq.

Non-resident parent companies make direct investments in Switzerland predominantly via intermediate companies in European holding company locations (cf. also section on country breakdown of capital stocks, pp. 13–14). The withdrawals in 2020 were chiefly effected through immediate investors in the following holding company locations: investors from Luxembourg withdrew CHF 103 billion from subsidiaries in Switzerland, and those from the Netherlands withdrew CHF 54 billion. A further CHF 31 billion of withdrawals were registered by investors from the offshore financial centres of Central and South America. Other regions of the world, by contrast, made net investments in Swiss-domiciled companies. The largest inflows came from investors from the United States (CHF 19 billion), followed by Ireland (CHF 12 billion) and Japan (CHF 11 billion). While investments in the first two cases mostly resulted from intragroup loans, Japanese companies increased equity capital in Switzerland, for example also by way of acquisitions.

CAPITAL STOCKS

Stocks of foreign direct investment in Switzerland totalled CHF 1,216 billion, a year-on-year reduction of CHF 160 billion (down 12%). This decrease was primarily due to withdrawals. Other contributory factors were revaluations at resident subsidiaries as well as exchange rate losses on intragroup loans denominated in foreign currency. The capital stocks of resident direct investment enterprises comprise equity capital and loans. Equity capital stocks came to CHF 1,159 billion (95%) and loan stocks to CHF 58 billion (5%). A net approach is adopted in the case of loans,[2] with lending to non-resident parent companies and fellow enterprises totalling CHF 185 billion (assets) being subtracted from borrowing from non-resident parent companies and fellow enterprises totalling CHF 242 billion (liabilities).[3]

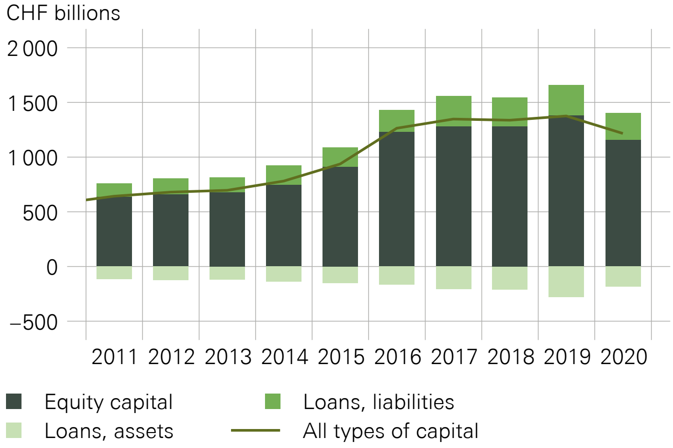
In the year under review, there were once again marked shifts in the types of capital stocks at resident direct investment enterprises. While equity capital decreased by CHF 221 billion year-on-year, loans showed a net increase of CHF 61 billion. This was due to the fact that loan assets granted to non-resident parent companies and fellow enterprises (down CHF 97 billion) decreased much more strongly than the loan liabilities taken on (down CHF 36 billion).

The decline in capital stocks of foreign direct investment was above all attributable to companies in the services sector, particularly finance and holding companies. Capital stocks in this industry category decreased by CHF 145 billion to CHF 658 billion (down 18%). However, the reduction in capital stocks at finance and holding companies overall was less pronounced than would have been expected on the basis of transactions. The reason for this was that non-resident investors made upward adjustments to their capital stocks in these companies in connection with corporate restructuring. The opposite was true of the finance and holding companies classified as SPEs, where non-resident investors were obliged to make value adjustments to their capital stocks, in addition to effecting withdrawals. As a result, capital stocks declined by CHF 124 billion to CHF 171 billion (down 42%). In the trade category too, value adjustments made a substantial contribution to the CHF 23 billion reduction in capital stocks to CHF 238 billion. The majority of categories in the manufacturing sector, however, also registered a decline in capital stocks. Overall, their capital stocks decreased by CHF 9 billion year-on-year to CHF 168 billion (down 5%).

Chart 11

DIRECT INVESTMENT IN SWITZERLAND

Capital stocks by type of capital



Source(s): SNB

2 Cf. Special topic: Presenting direct investment according to the directional principle and the asset/liability principle; data.snb.ch/en, Resources/International economic affairs/Special topics archive/Direct Investment.
3 Loans between non-resident fellow enterprises are included if the group headquarters is non-resident.

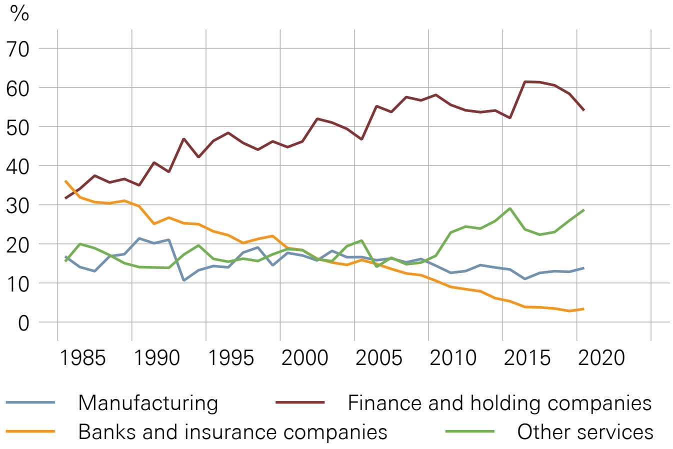
Chart 12 shows the movements in capital stocks since 1985. The proportion of foreign direct investment attributable to the manufacturing sector has consistently ranged between 10% and 20% (2020: 14%). Conversely, the proportion accounted for by services has been relatively constant overall (2020: 86%), albeit with marked shifts within the sector itself. While finance and holding companies accounted for around 30% of capital stocks of foreign direct investment in the mid-1980s, by 2016 this figure had risen to above 60%, and still stood at 54% in 2020 despite the recent decline. This contrasts with foreign direct investment at banks and insurance companies. At the beginning of the 1990s, their share of foreign direct investment stood at around 30%. However, this share has subsequently declined almost continuously and accounted for around 3% in the year under review.

The SNB publishes two country breakdowns for capital stocks in Switzerland, one by domicile of the immediate investor, and the other by domicile of the ultimate beneficial owner. As regards immediate investors, a large proportion of the capital stocks in Switzerland was held by EU-domiciled investors. This portion amounted to CHF 883 billion, or 73% of foreign capital stocks in Switzerland. Of this total, CHF 710 billion 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 resident subsidiaries that was held via intermediate companies reached a peak in 2018 at 75% (cf. chart 13). The trend reversed with the reduction in capital stocks at finance and holding companies. By 2020, the share of capital stocks in Switzerland held via intermediate companies in third countries had fallen back to 67%.

Chart 12

DIRECT INVESTMENT IN SWITZERLAND

Capital stocks by industry category (in %)

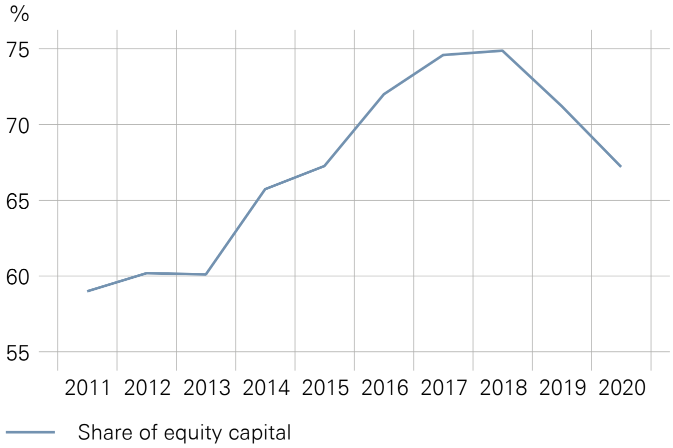


Source(s): SNB

Chart 13

DIRECT INVESTMENT IN SWITZERLAND

Capital stocks held via intermediate companies in third countries



Source(s): SNB

Because of the large proportion accounted for by intermediate companies, the SNB also provides a breakdown of capital stocks by domicile of the ultimate beneficial owner. The US, in particular, had significantly higher capital stocks (CHF 577 billion) using this approach than in the breakdown by immediate investor (cf. chart 14). This shows that US investors mainly invested in companies in Switzerland via third countries. The same applies to investors from Central and South America, the 'Other European countries' category, and China.

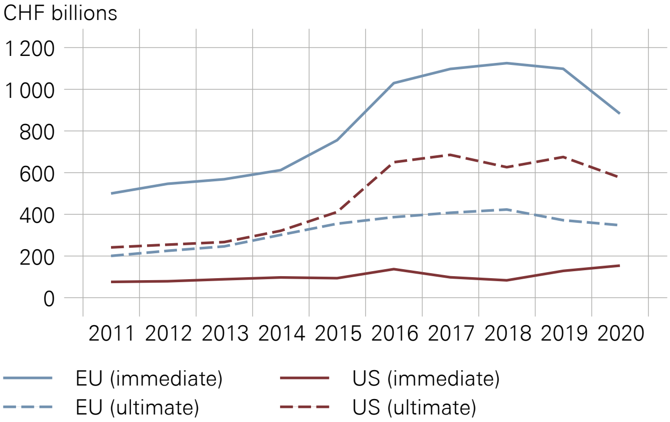
Holding company locations generally exhibit lower capital stocks from the ultimate beneficial owner perspective than from the immediate investor perspective. Thus, capital stocks controlled by ultimate beneficial owners domiciled in Luxembourg totalled CHF 10 billion, i.e. only a fraction of the figure controlled by immediate investors domiciled in Luxembourg (CHF 283 billion). For the Netherlands, the share was CHF 65 billion, compared with CHF 332 billion. Conversely in Ireland, the capital stocks controlled by ultimate beneficial owners (CHF 112 billion) were higher than those of immediate investors (CHF 95 billion). The reason for this is that Ireland is not just a holding company location, but is also home to the headquarters of many multinationals.

Switzerland, too, figures as a domicile of 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 2020, capital stocks invested in this way totalled CHF 54 billion (2019: CHF 75 billion).

Chart 14

DIRECT INVESTMENT IN SWITZERLAND

Capital stocks by domicile of immediate investor and ultimate beneficial owner



Source(s): SNB

Table 2

CAPITAL STOCKS FOR 2020: BREAKDOWN BY DOMICILE 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	**981.8**	**81%**	**472.5**	**39%**	**–509.3**
EU	**882.8**	**73%**	**347.7**	**29%**	**–535.1**
Other European countries	**99.1**	**8%**	**124.8**	**10%**	**25.8**
Selected countries					
Germany	14.0	1%	38.3	3%	24.3
France	48.1	4%	58.6	5%	10.5
Ireland	94.5	8%	112.3	9%	17.8
Luxembourg	283.1	23%	10.3	1%	–272.8
Netherlands	332.4	27%	64.7	5%	–267.8
Switzerland	.	.	54.0	4%	54.0
United Kingdom	62.0	5%	30.1	2%	–32.0
North America	**153.8**	**13%**	**602.3**	**50%**	**448.4**
Of which United States	153.9	13%	576.6	47%	422.7
Central and South America	**31.2**	**3%**	**62.0**	**5%**	**30.7**
Asia, Africa, Oceania	**49.4**	**4%**	**79.6**	**7%**	**30.2**
Japan	30.9	3%	41.0	3%	10.1
All countries	**1 216.3**	**100%**	**1 216.3**	**100%**	**0.0**

· Not applicable.

Source(s): SNB

INVESTMENT INCOME

Due to the impact of the coronavirus pandemic, income from foreign direct investment in Switzerland declined by 36% from CHF 109 billion to CHF 69 billion. Resident subsidiaries distributed CHF 72 billion to non-resident investors in the form of dividends (2019: CHF 86 billion), and a further CHF 1 billion in the form of net interest on intragroup loans. Transferred earnings (dividends and net interest) thus exceeded total investment income. This resulted in negative reinvested earnings of CHF –4 billion (2019: CHF +22 billion).

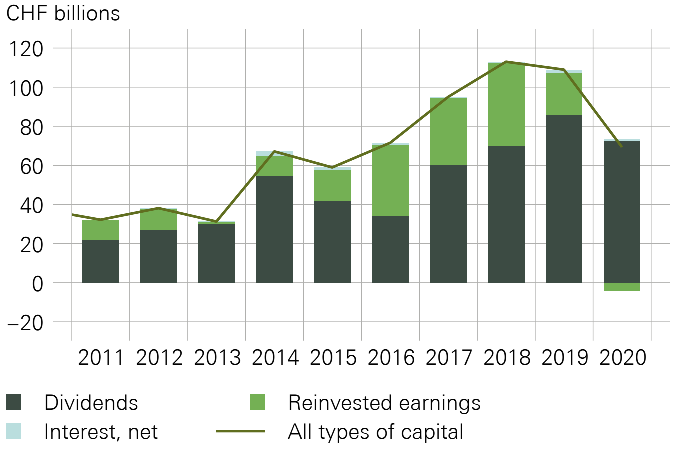
Lower investment income was recorded in both the services sector (down CHF 35 billion to CHF 53 billion) and the manufacturing sector (down CHF 5 billion to CHF 16 billion). In the former, the reduction was primarily attributable to finance and holding companies, whose investment income halved year-on-year (down CHF 23 billion to CHF 23 billion). Investment income of the finance and holding companies classified as SPEs fell by over 80% (down CHF 5 billion to CHF 1 billion). Subsidiaries in the trade category also recorded a significant reduction in investment income (down CHF 9 billion to CHF 19 billion). Only the banks as well as subsidiaries in the 'other services' category recorded income on a par with 2019 (CHF 7 billion in total). In the manufacturing sector, the decline was attributable in equal part to the chemicals and plastics category, and to the electronics, energy, optical and watchmaking category, both of which recorded a decrease of CHF 3 billion to CHF 11 billion and CHF 3 billion respectively.

As in the case of capital stocks, the SNB publishes two country breakdowns for investment income from direct investment in Switzerland: one by domicile of the immediate investor, the other by domicile of the ultimate beneficial owner. Chart 17 shows the movements in investment income since 2015 for both breakdowns. It gives a similar picture to that for capital stocks (cf. chart 14). The breakdown by immediate investor is dominated by investors from the EU. In 2020, they accounted for CHF 51 billion of the total investment income of CHF 69 billion. According to the breakdown by ultimate beneficial owner, however, US investors generated more than half of all investment income (CHF 37 billion), considerably more than investors from the EU (CHF 19 billion). Ultimate beneficial investors outside the EU and the US accounted for CHF 13 billion; their share of total investment income has risen significantly since 2015.

Chart 15

DIRECT INVESTMENT IN SWITZERLAND

Investment income by type of capital

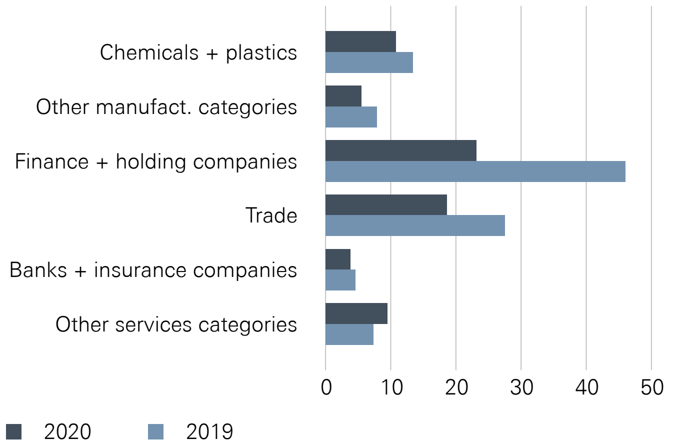


Source(s): SNB

Chart 16

DIRECT INVESTMENT IN SWITZERLAND

Investment income by industry category, in CHF billions

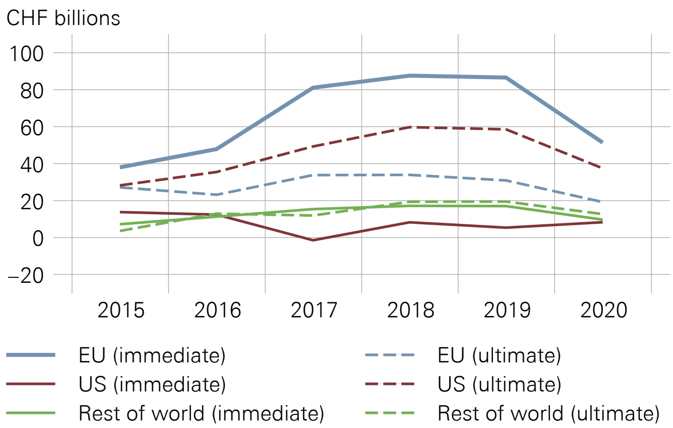


Source(s): SNB

Chart 17

DIRECT INVESTMENT IN SWITZERLAND

Investment income by domicile of immediate investor and ultimate beneficial owner



Source(s): SNB

4
Operational data on non-resident subsidiaries and their resident parent companies

NUMBER OF STAFF AT NON-RESIDENT SUBSIDIARIES OF RESIDENT COMPANIES

The number of staff employed by Swiss-controlled companies at their non-resident subsidiaries totalled 2,019,000.[1] Manufacturing accounted for somewhat less than two-thirds of this (down 47,000 to 1,300,000), while the services sector reported 719,000 (down 21,000).[2]

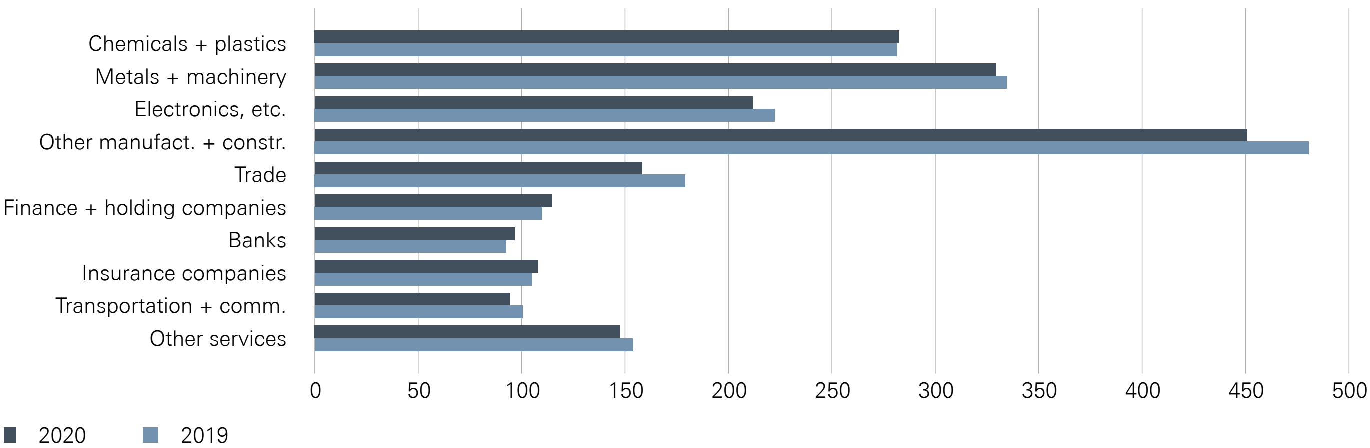
Within the manufacturing sector, chemicals and plastics was the only category not to record a decline in foreign employment, with 283,000 staff abroad. The share at companies in the other manufacturing and construction category, which has by far the highest share of foreign employment, fell by 6% (down 30,000 to 451,000). Companies in the electronics, energy, optical and watchmaking category employed 212,000 staff abroad, down 11,000 or 5% from 2019.

There were divergent developments in the services sector. The trade category registered a significant coronavirus-related decline in foreign employment (down 21,000 or 12%). However, it still had more staff abroad than any other category in this sector, with a total of 158,000 employees. Foreign employment at companies in the transportation and communications category and 'other services' also declined. Banks, insurance companies, and finance and holding companies, on the other hand, employed more staff abroad than in 2019, with the increase at insurance companies being the result of acquisitions abroad.

1 Only in companies which are covered by the direct investment statistics. The foreign employment numbers of resident companies not covered by these statistics are unknown.
2 The classification by economic activity is determined by the principal activity of the enterprise group worldwide.

Chart 18

STAFF NUMBERS ABROAD
By industry category, in thousands



Source(s): SNB

A total of 46% of the global staff of Swiss-controlled enterprise groups (930,000 people) were employed in Europe. In Asia, Swiss groups employed 507,000 people, which accounted for 25% of total employment abroad. In North America, the number was 327,000, or 16% of the total. In all these regions, staff numbers were lower year-on-year.

Chart 20 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 2010–2020, while the y-axis shows the percentage change between 2019 and 2020.

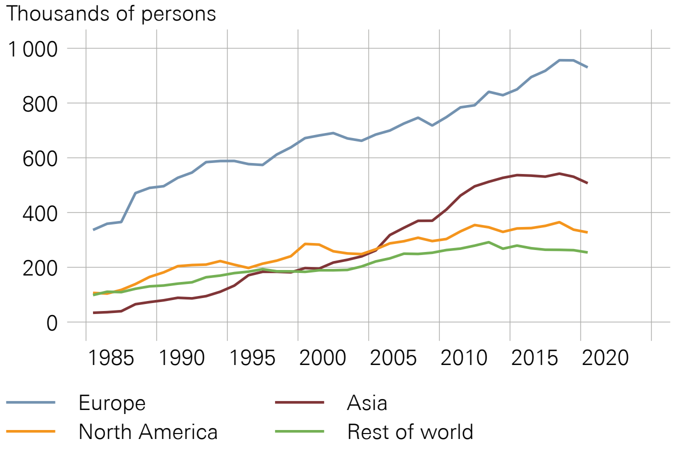
Six of the ten most important operational locations for Swiss groups were in Europe. Here, Germany was the leading country with 261,000 employees. A total of 108,000 employees worked in France. In the UK, the number fell by 11% year-on-year to 91,000. Poland is the location with the highest average growth rate in the last ten years, with staff now totalling 56,000. As a result of acquisitions in the year under review, staff numbers in Spain increased by 14% to 46,000, putting the country in the top ten for the first time. The holding company locations of the Netherlands, Luxembourg and Ireland, which play an important role in direct investment, together employed 35,000 people, which is just under 2% of the global total for staff employed abroad.

Outside Europe, the US was the main location for the operational activities of resident companies, accounting for 297,000 employees. In China, 157,000 people worked for Swiss-controlled groups. The marked year-on-year decline there (down 9%) was chiefly attributable to the sale of parts of companies. Staff numbers in India totalled 92,000, slightly up on the previous year. In Brazil, the only representative of Central and South America in the top ten, 59,000 people worked for Swiss groups.

Chart 19

STAFF NUMBERS ABROAD

Regional breakdown

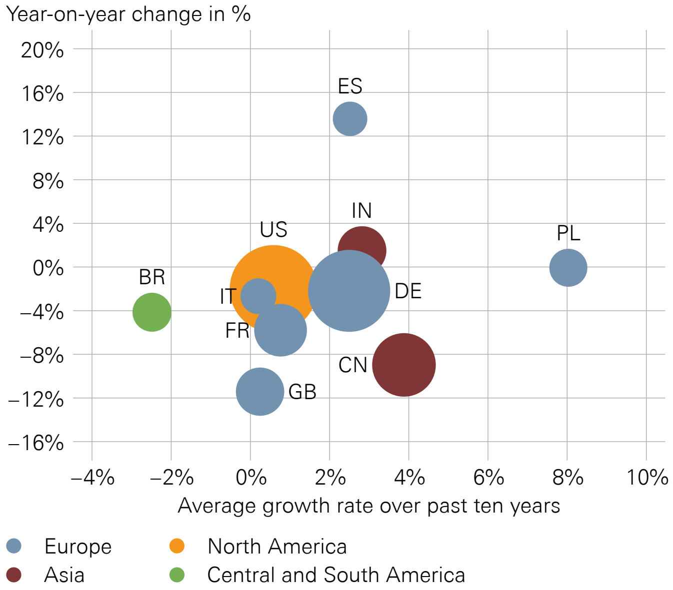


Source(s): SNB

Chart 20

STAFF NUMBERS ABROAD

Top ten employment locations (2020)



Source(s): SNB

NUMBER OF NON-RESIDENT SUBSIDIARIES OF RESIDENT COMPANIES

In the year under review, resident parent companies held 19,200 majority participations in non-resident enterprises: 8,400 of these subsidiaries were in the manufacturing sector, and 10,800 in the services sector. The 'other services' category stands out, with over 5,700 subsidiaries. The business model of leading companies in this category is based on a dense global network of micro-agencies.

Chart 21 shows the ten locations with the most non-resident subsidiaries. The area of the circles is proportionate to the number of subsidiaries. The x-axis reflects the average growth rate for the period 2014–2020, while the y-axis shows the percentage change between 2019 and 2020. The majority of the subsidiaries (58%) were located in Europe: 2,600 in France (14%), followed by 1,700 in Germany (9%), 1,100 in the UK (6%) and over 700 in Spain (up 4% due to acquisitions). The main non-European location was the US, where 2,400 or 13% of subsidiaries were domiciled. In China there were around 700 Swiss subsidiaries. At most locations, the number of subsidiaries was lower than in the previous year.

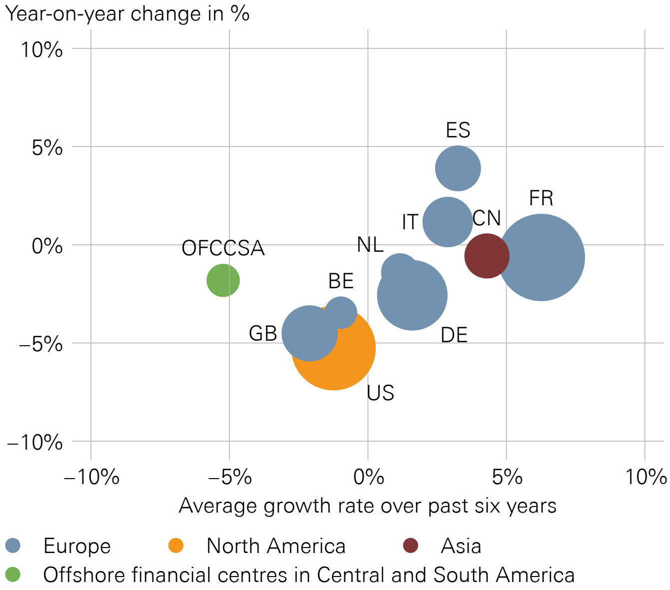
Non-resident companies employed an average of 105 people. The largest average company size of non-resident subsidiaries was 215 people in the 'other manufacturing and construction' category, followed by 208 people in the transportation and communications category. The subsidiaries of banks and those of companies in the 'other services' category employed an average of 71 and 26 people respectively per non-resident enterprise.

Chart 22 shows a breakdown of average company size by region and the dispersion within the respective regions. Subsidiaries in Asia employed an average of 174 people; Pakistan topped the list with 374 employees, followed by India with 373. At the other end of the spectrum was Europe, where there is a broad dispersion in company size, this being partly due to the fact that there are many locations with a high density of SPEs which have low staff numbers. For example, the average company size in Europe's offshore financial centres was just six employees.

Chart 21

NUMBER OF NON-RESIDENT SUBSIDIARIES

Top ten locations (2020)

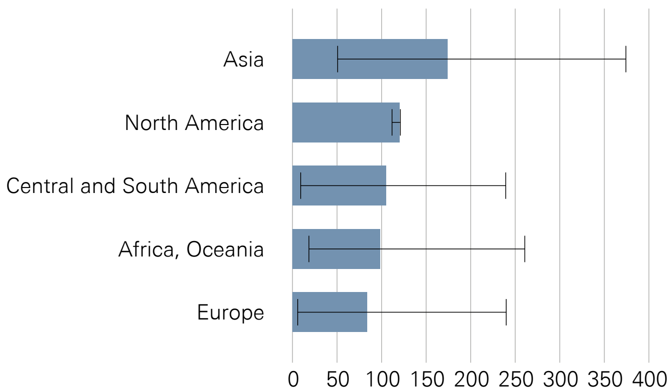


Source(s): SNB

Chart 22

AVERAGE COMPANY SIZE

Staff numbers and dispersion[1] by region (2020)



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

Source(s): SNB

TURNOVER OF NON-RESIDENT SUBSIDIARIES OF RESIDENT COMPANIES

In 2020, non-resident subsidiaries of resident groups generated turnover of CHF 696 billion. Turnover comprises sales of goods and services invoiced by subsidiaries to third parties in the reporting period.

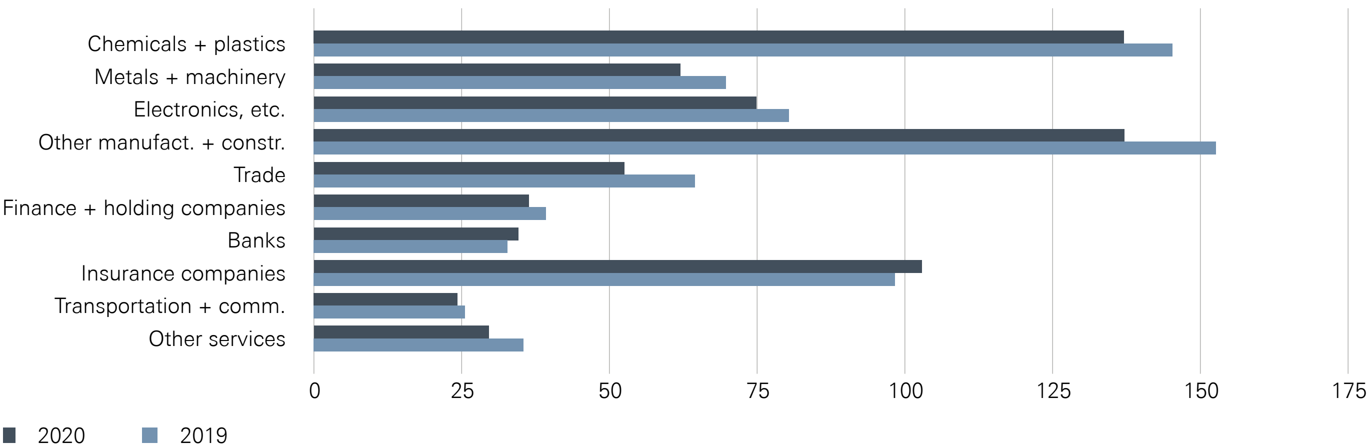
Subsidiaries in the manufacturing sector recorded turnover of CHF 416 billion, or 60% of the total. The corresponding figure for services was CHF 280 billion. Due to the impact of the coronavirus pandemic, the non-resident companies of Swiss groups reported a 7% drop in turnover year-on-year. The ‘other manufacturing and construction’ category and the chemicals and plastics category reported the highest turnover in the manufacturing sector (both CHF 137 billion). This corresponded to a year-on-year decline of 10% and 6% respectively. Metals and machinery companies recorded turnover of CHF 62 billion at their non-resident subsidiaries, down 11% from 2019.

In the services sector, insurance companies had the highest turnover; the corresponding figure in this industry – gross premiums earned – stood at CHF 103 billion. This represented a year-on-year rise of 5%, partly attributable to acquisitions abroad. Banks was the only other category to record an increase in turnover; here the corresponding figure is earnings from interest and commission business, which were 6% higher at CHF 35 billion. In a year beset by the coronavirus crisis, the trade category was particularly affected, reporting a drop in turnover of almost one-fifth to CHF 52 billion. ‘Other services’ recorded a fall of 17% to CHF 30 billion.

Chart 23

TURNOVER ABROAD

By industry category, in CHF billions



Source(s): SNB

Chart 24 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 2014–2020, while the y-axis shows the percentage change between 2019 and 2020.

Swiss-controlled companies achieved the highest turnover in their European subsidiaries (a total of CHF 281 billion or 40%). Within Europe, Germany recorded the highest turnover (CHF 69 billion), followed by France (CHF 42 billion), and the UK (CHF 27 billion). The UK has reported the strongest decline in turnover in recent years, and did so again in 2020. Outside Europe, the US recorded the highest turnover (CHF 193 billion). Three locations in Asia – China, Japan and Singapore – rank in the top ten locations with the highest turnover. Since 2014, Singapore has recorded the strongest average turnover growth, increasing again in the year under review.

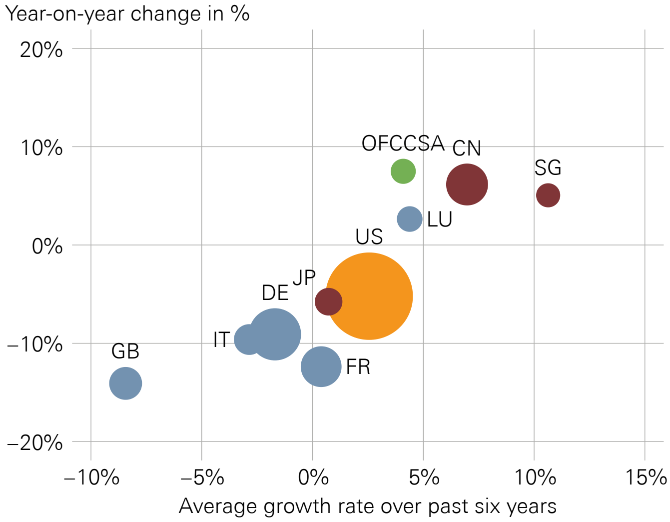
Swiss-controlled companies generated an average of CHF 345,000 in turnover per employee abroad. In manufacturing, each employee accounted for CHF 320,000, while in services this figure was CHF 389,000. Within the manufacturing sector, the chemicals and plastics category had the highest turnover per employee, at CHF 485,000. In the case of services, insurance companies led the way with CHF 953,000 per employee. The figure for the 'other services' category was around one-fifth of this at CHF 200,000.

Chart 25 shows a breakdown of turnover per employee by region and the dispersion within the respective regions. At CHF 627,000, the North American subsidiaries generated the highest turnover per employee. While the differences between regions were moderate, between the individual countries they were very large. In Luxembourg and the offshore financial centres of Central and South America, where there are many SPEs, turnover was higher than the regional average (by a factor of 11 and 17 respectively). India, where labour-intensive production is an important factor, was at the lower end of the spectrum in Asia, and Singapore at the upper end.

Chart 24

TURNOVER ABROAD

Top ten locations with the highest turnover (2020)

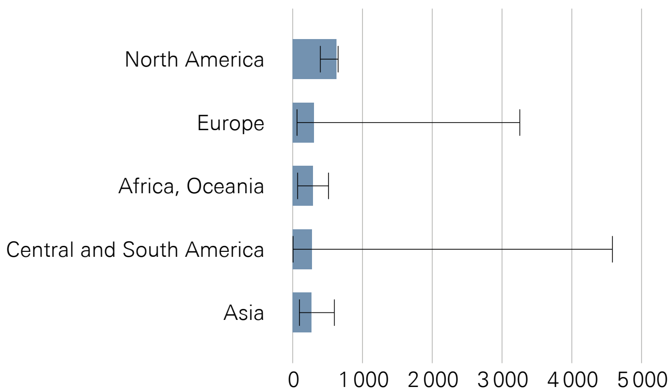


Source(s): SNB

Chart 25

TURNOVER PER EMPLOYEE

Dispersion[1] by region (2020; in CHF thousands)



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

Source(s): SNB

NUMBER OF STAFF AT RESIDENT PARENT COMPANIES

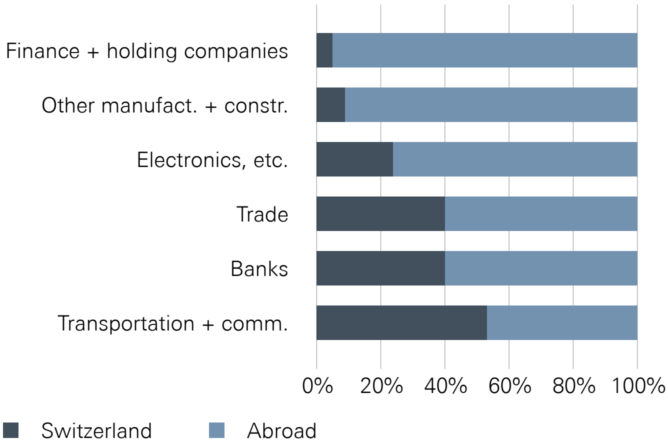
Swiss companies which invest abroad are also major employers in Switzerland. They employed 938,000 staff in Switzerland,[3] which corresponds to 18% of total employment. Of these, 539,000 employees or 58% worked in companies included in the SNB's direct investment statistics. The remaining staff were employed at Swiss-controlled companies with participations in non-resident enterprises 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 non-resident subsidiaries, the Swiss-controlled enterprise groups surveyed by the SNB employed a total of 2,558,000 people (cf. table 3). Thus, the proportion of employees abroad accounted for 79% of the total employment figure at enterprise groups. In manufacturing, the share was 86%, compared with 69% in the services sector. Within the manufacturing sector, the 'other manufacturing and construction' category accounted for the highest percentage of employment abroad at 91%. The lowest percentage (76%) was in the electronics, energy, optical and watchmaking category. In the case of services, the differences between the individual industry categories are considerable: Swiss-controlled finance and holding companies employed 95% of their staff abroad, banks 60%, and companies in the transportation and communications category less than half.

Chart 26

STAFF NUMBERS IN SWITZERLAND AND ABROAD

In %, by industry category (2020)



Source(s): SNB

3 Source: SFSO, enterprise groups statistics (STAGRE).

Table 3

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

In thousands

	2016	2017	2018	2019	2020	Share In %
Employees in Switzerland	**540.5**	**543.1**	**556.7**	**549.8**	**539.2**	**21.1**
Of which manufacturing	211.4	210.2	216.8	214.8	211.8	8.3
Of which services	329.1	333.0	340.0	335.0	327.4	12.8
Employees abroad	**2 042.5**	**2 064.5**	**2 127.1**	**2 086.6**	**2 019.0**	**78.9**
Of which manufacturing	1 349.3	1 347.1	1 381.7	1 346.1	1 299.6	50.8
Of which services	693.2	717.4	745.4	740.6	719.5	28.1
Total employees	**2 582.9**	**2 607.7**	**2 683.8**	**2 636.4**	**2 558.2**	**100.0**
Of which manufacturing	1 560.7	1 557.3	1 598.5	1 560.8	1 511.3	59.1
Of which services	1 022.2	1 050.4	1 085.3	1 075.6	1 046.9	40.9

1 Only includes companies covered by the direct investment statistics.

Source(s): SNB

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