

The Swiss balance of payments in 1998

Press release of 26 August 1999

Decline in current account surplus for the first time since 1994

In 1998 Switzerland's current account surplus declined for the first time since 1994. In view of the marked growth in the import of goods and lower net investment income, the surplus diminished by Sfr 3 billion to Sfr 34.6 billion. Measured by gross domestic product, the current account surplus - at 9.0% - nevertheless reached the second highest level ever.

Due to the improvement in domestic economic activity, imports continued to show quite dynamic development. With economic activity developing gratifyingly in Europe and in the USA, exports of goods again increased in terms of volume and value. Compared with the previous year, however, they grew at a markedly slower pace. For the first time since 1992, the trade balance exhibited a deficit of Sfr 1.8 billion.

The service sector witnessed similar development as trade in goods. Exports of services increased by 5.3% in terms of value. Various service sectors, notably the banks, contributed to the growth in exports. Service imports, however, rose much more significantly, i.e. by 10.5%. The growth of imports was distributed across a relative wide range of industrial sectors, with higher expenditure for tourism being particularly striking.

Higher financial account deficit

Financial flows in 1998 were characterised by financial market turbulence and the launch of the European single currency. The volume of financial flows fell short of the previous year's level, leading to the conclusion that investors were more wary of entering into new commitments. Domestic investors acquired approximately one-third less foreign securities than in the previous year. Outflows of funds from banks also diminished significantly.

Direct investment abroad decreased by Sfr 5.5 billion to Sfr 20.6 billion. Capital outflows to the EU fell by half compared with the previous year, i.e. to Sfr 6.4 billion.

Foreign direct investment in Switzerland totalled Sfr 6.9 billion in 1998, almost reaching the year-earlier level. Foreign portfolio investment in Switzerland expanded by Sfr 1.8 billion to Sfr 14.9 billion. Capital imports by the banks fell by one-third to Sfr 49.3 billion. The deficit on capital account rose by Sfr 5.2 billion to Sfr 42.2 billion.

The National Bank's international reserves increased only slightly in 1998, for exchange rate reasons. In 1997 international reserves had still mounted by Sfr 4.9 billion.

A detailed commentary on Switzerland's balance of payments is published together with the Monthly Statistical Bulletin of the Swiss National Bank at the end of September and will also appear as a supplement to the "Magazin für Wirtschaftspolitik" 10/1999 at the beginning of October. The comments on the Swiss balance of payments is likewise available on the Internet as from the end of September: <http://www.snb.ch>, topic "Publications", item "The Swiss balance of payments".

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Detailed information on individual positions

Current account

Trade in goods

In 1998 exports and imports of goods only showed a modest increase from the year-earlier level. Nominal exports of goods (incl. precious metals, precious stones and gems as well as objets d'art and antiques) increased by 3.3% to Sfr 114.1 billion whereas nominal imports of goods rose by Sfr 115.8 billion. With prices declining, the real growth of foreign trade exceeded nominal values.

Services

At Sfr 11.4 billion, earnings from tourism remained at more or less the previous year's level despite a stronger increase in the number of foreign tourists. With the exception of Belgium, significantly more visitors came from the main European countries and the USA, whereas a decline was recorded for visitors from Asian countries.

Expenditures of residents for personal and business travel abroad rose once more. The number of overnight stays increased by 3%. Slightly higher price levels in the destinations visited were compensated by falling exchange rates. As earnings from foreign travel stagnated and expenditures mounted, the surplus from tourism again fell short of the previous year's figures (Sfr 1.4 billion). It diminished from a peak of Sfr 2.8 billion in 1992 to Sfr 1 billion.

After the statistical basis had been improved, the banks' receipts and expenditures from financial services are shown in gross terms for the first time in 1998. For this reason, only the net balance from receipts and expenditures can be compared with the previous year. The surplus rose by 4.8% to Sfr 9.2 billion. The higher volume in securities trading was offset by increased pressure on margins. Income from licenses and patents, as well as from technical consulting, so-called technological services, increased by 12% to Sfr 4.6 billion.

Investment income

Net earnings from Swiss financial assets and direct investment declined by Sfr 0.8 billion to Sfr 29.7 billion. Decisive for the decline were receding net earnings from direct investment and interest-related operations of the banks.

Financial account

Direct investment

Direct investment abroad diminished by Sfr 5.5 billion from the previous year's level to Sfr 20.6 billion. Industrial enterprises overall invested no more than Sfr 5.6 billion in other countries after still having exported capital totalling Sfr 15.9 billion a year earlier. In particular chemical and pharmaceutical companies, which had effected large-scale acquisitions in 1997, reduced their capital exports significantly to Sfr 0.8 billion, equivalent to one-tenth of the previous year's figure. Service sector enterprises increased their investment abroad by Sfr 4.8 billion to Sfr 15 billion, with the insurance industry augmenting their capital outflows for financing acquisitions massively by Sfr 6.6 billion to Sfr 8.3 billion. A breakdown by economic areas reveals that in 1998 less than one-third of total investment was accounted for by the European Union, following almost 60% in 1997. Outflows to the USA also fell considerably short of the previous year's level. By contrast, capital exports to NICs and developing countries grew vigorously. Singapore and the Philippines alone accounted for Sfr 1.5 billion and Sfr 1.2 billion respectively.

Direct investment in Switzerland amounted to Sfr 6.9 billion in 1998 and was thus only slightly below the year-earlier level (Sfr 7.3 billion). In the industrial sector, capital imports, which had risen markedly a year earlier to Sfr 4.3 billion due to takeovers, in 1998 amounted to a mere fraction of the 1997 figure. In most branches of industry, capital inflows were weaker than in the previous year. Foreign direct investment in the service sector mounted by Sfr 3.4 billion to Sfr 6.4 billion. Foreign investment in the Swiss banking sector quadrupled to Sfr 2.4 billion. Foreign direct investment in Switzerland originated mainly from the USA (Sfr 2.7 billion), the Netherlands (Sfr 1.6 billion) and Italy (Sfr 1.3 billion).

Portfolio investment

Foreign portfolio investment in Switzerland rose by Sfr 1.8 billion to Sfr 14.9 billion in 1998. Foreign investors expanded their investment in shares and investment funds by Sfr 2.4 billion to Sfr 12.5 billion. Investment in fixed-interest securities, by contrast, receded by Sfr 0.7 billion to Sfr 2.3 billion as fewer public bonds were acquired by foreign portfolio holders than in the previous year.

Swiss portfolio investment abroad declined by one-third to Sfr 21.5 billion in 1998. Investment in foreign equity capital decreased markedly, whereas slightly larger capital outflows in fixed-interest securities were recorded. The funds were invested chiefly in securities denominated in Swiss francs and US dollars.

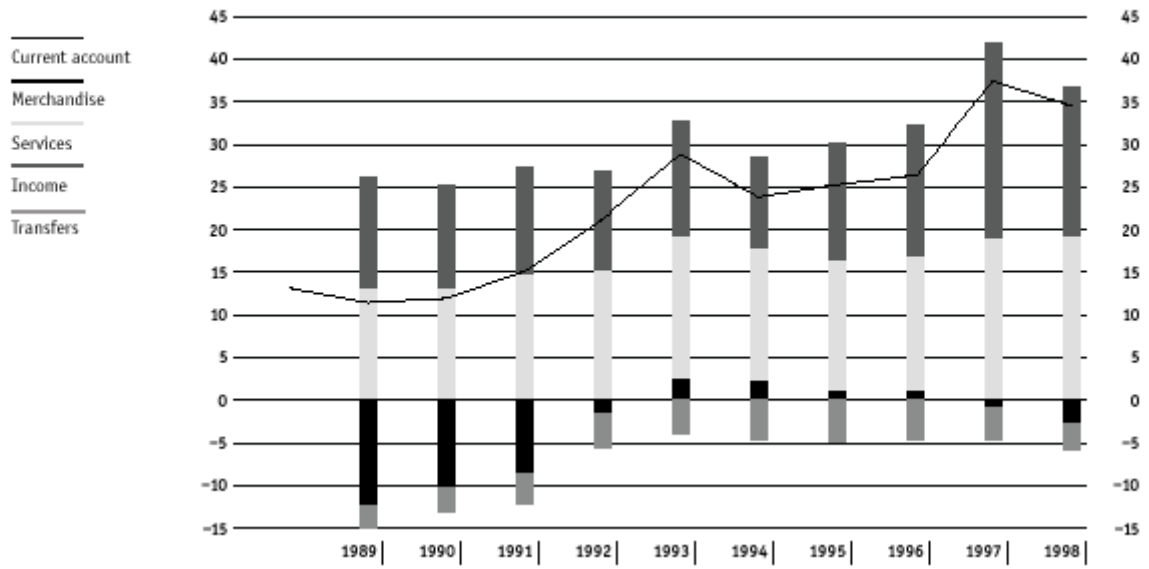
Bank credits

The banks' flows of funds (domestic bank offices) in credit business with other countries were markedly lower in 1998 than in the previous year and characterised by high net capital exports in interbank business. In overall lending business with other countries (customers and banks) capital exports amounted to Sfr 66.3 billion (previous year: Sfr 74.3 billion) and capital imports to Sfr 49.3 billion (Sfr 74.8 billion). Net capital exports amounted to Sfr 17.0 billion. In the previous year the banks had imported a net amount of Sfr 0.6 billion. The banks' considerable flows of funds were already blown up a year earlier by the inclusion of securities lending business, which accounted for approximately Sfr 9 billion of capital exports and Sfr 14 billion of capital imports.

International reserves

The National Bank's international reserves, which consist mainly of gold holdings, foreign exchange and the reserve position in the International Monetary Fund (IMF), rose by Sfr 0.2 billion in 1998. In the previous year foreign assets had increased by Sfr 4.9 billion. Foreign exchange holdings declined by Sfr 0.5 billion. The reduction is due to the exchange rate-induced lower valuation of foreign exchange holdings (Sfr 0.9 billion).

Current Account, in billions of Swiss francs



Swiss balance of payments¹ Billions of Swiss francs*

	1994	1995	1996	1997 revised	1998 provisional
Current account					
Special trade exports	95,8	96,2	98,6	110,4	114,1
Special trade imports	-92,6	-94,5	-96,7	-110,1	-115,8
Special trade net	3,2	1,8	1,9	0,3	-1,8
Other goods net	-1,0	-0,7	-0,8	-0,8	-0,4
Services exports	30,9	30,8	32,4	36,7	-38,7
Services imports	-15,3	-15,6	-17,1	-17,8	-19,7
Services net	15,6	15,2	15,4	18,9	19,0
Labour and investment income exports	36,6	37,3	40,8	50,9	63,4
Labour and investment income imports	-25,9	-23,4	-25,2	-26,8	-40,2
Labour and investment income net	10,7	13,9	15,6	24,0	23,2
Current transfers net	-4,7	-5,0	-4,9	-4,9	-5,4
Current account net	23,9	25,2	27,2	37,6	34,6
Capital transfers net	-0,2	-0,2	-0,2	-0,1	-0,4
Financial account excluding reserves					
1. Swiss investment abroad	-83,3	-25,8	-135,2	-135,2	-128,7
Direct investment	-14,8	-14,4	-20,0	-26,1	-20,6
Portfolio investment	-26,1	-10,5	-27,7	-30,4	-21,5
Banks: loans granted	-26,3	-11,2	-74,5	-74,3	-66,3
Other capital	-16,2	10,3	-13,0	-4,4	-20,3
2. Foreign investment in Switzerland	60,8	10,4	101,3	96,4	85,5
Direct investment	4,6	2,6	3,8	7,3	6,9
Portfolio investment	1,2	5,9	15,9	13,1	14,9
Banks: loans received	41,4	1,9	60,7	74,8	49,3
Other capital	13,5	-0,0	20,8	1,2	14,4
3. Precious metals net	0,2	0,6	-1,2	1,7	1,0
Financial account net	-22,4	-14,8	-35,0	-37,0	-42,2
Reserves: Change in net holdings	0,9	3,7	-7,8	-4,9	-0,1
Counterpart to valuation changes on international reserves	-2,3	-3,5	4,4	1,8	-0,9
Net errors and omissions	0,2	-10,3	11,4	2,7	9,0

1 A minus sign indicates a surplus of imports over exports in the current account, and the export of capital in the capital account.

In net holdings of reserves the minus sign indicates an increase in reserves.

* Differences in totals due to the rounding of figures.

Components of the current account in 1997 and 1998 in billions of Swiss francs ¹⁾

Components	1997r			1998p			Percentage change 1998	
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit
A. Merchandise	114,2	114,7	-0,5	118,3	120,6	-2,2	3,6%	5,1%
Special trade	110,4	110,1	0,3	114,1	115,8	-1,8	3,3%	5,2%
Electrical energy	1,9	1,2	0,7	2,0	1,3	0,7	6,3%	9,8%
Other goods	1,9	3,4	-1,5	2,3	3,4	-1,1	20,0%	0,5%
B. Services	36,7	17,8	18,9	38,7	19,7	19,0	5,3%	10,5%
Tourism	11,5	10,1	1,4	11,4	10,3	1,0	-1,5%	1,7%
Private insurance	2,1	0,0	2,0	2,3	0,1	2,2	10,0%	104,1%
Merchanting	1,4	-	1,4	1,1	-	1,1	-26,1%	-
Transportation	4,1	2,8	1,2	4,3	2,8	1,5	5,4%	-1,0%
Postal services and telecommunications	0,7	1,0	-0,3	0,9	1,1	-0,2	27,3%	13,5%
Other services	16,9	3,8	13,1	18,8	5,3	13,5	11,2%	41,1%
<i>Bank commissions</i>	8,8	-	8,8	10,0	0,7	9,2	13,1%	-
<i>Technological services</i>	4,1	1,7	2,4	4,6	2,0	2,6	12,0%	19,5%
<i>Other services</i>	4,0	2,1	1,9	4,3	2,6	1,7	6,0%	23,2%
C. Labour and investment income	50,9	26,8	24,0	63,4	40,2	23,2	24,6%	49,6%
Labour income	1,5	8,1	-6,5	1,5	8,0	-6,5	-2,6%	-0,8%
Investment income	49,3	18,8	30,6	61,9	32,1	29,7	25,4%	71,3%
External contribution to GNP (A+B+C)	201,8	159,3	42,5	220,4	180,4	40,0	9,2%	13,2%
D. Current transfers	3,8	8,7	-4,9	4,0	9,5	-5,4	6,1%	8,1%
Private transfers	0,4	3,4	-3,0	0,4	3,4	-3,0	0,1%	0,7%
Public transfers	3,4	5,3	-1,9	3,6	6,0	-2,4	6,8%	12,8%
Total (A+B+C+D)	205,6	168,0	37,6	224,5	189,8	34,6	9,2%	13,0%

¹⁾ Differences in the totals due to the rounding of figures

r Revised

p Provisional

Foreign direct investment in Switzerland

	1994	1995	1996	1997 revised	1998 provisional
Capital imports¹ in millions of Swiss francs					
1. Industrial countries	4572	2599	3790	7289	5781
EU	1784	2509	2233	5883	3355
of which					
Belgium	47	23	70	-4	-50
Denmark	-2	0	9	21	27
Germany	777	441	1308	2754	370
France	232	-33	571	517	-349
Italy	22	-65	-807	111	1350
Luxembourg	374	179	317	1682	512
Netherlands	406	1884	381	571	1574
Austria	²	30	1	68	3
Sweden	²	374	337	165	63
Spain	6	7	10	18	-113
United Kingdom ³	-68	126	-170	-161	-33
EFTA	540	0	0	2	0
of which					
Austria	-13	4	4	4	4
Sweden	543	4	4	4	4
Other European countries	5	12	30	2	19
of which					
Turkey	5	12	30	2	19
North America	2273	363	1476	1481	2677
of which					
Canada	-177	16	-50	-46	-55
United States	2450	346	1526	1527	2732
Other industrial countries	-23	-315	45	-101	-274
of which					
Japan	-23	-315	-15	-326	-348
2. NICs	-10	16	21	-65	-10
3. Developing countries	42	14	-6	67	1162
Africa	2	2	2	2	3
Asia	43	41	-42	32	-47
of which					
Israel	22	36	-46	18	36
Latin America (incl. Caribbean)	-4	-29	34	33	1206
All countries	4604	2629	3805	7291	6933

1 The minus sign (-) signifies an outflow of capital from Switzerland (disinvestment).

2 Until 1994, member of EFTA

3 Incl. Guernsey, Jersey and the Isle of Man

4 From 1995 onwards, member of the EU

Swiss direct investment abroad

	1994	1995	1996	1997 revised	1998 provisional
Capital exports¹ in millions of Swiss francs					
1. Industrial countries	14290	14007	17500	22310	13388
EU	6873	6210	12522	13129	6433
Belgium	-551	1042	488	-587	412
Denmark	166	21	49	35	-33
Germany	784	1171	2629	4138	1575
Finland	²	56	137	159	224
France	1287	127	338	320	-80
Greece	95	79	109	85	191
Ireland	191	324	342	533	-1182
Italy	148	424	769	993	-74
Luxembourg	412	200	192	-1061	343
Netherlands	1078	1143	-193	3109	70
Austria	²	89	-252	353	266
Portugal	34	27	91	299	-73
Sweden	²	85	539	635	842
Spain	-81	572	118	78	42
United Kingdom ³	3309	851	7170	4040	3908
EFTA	1174	41	54	181	107
of which					
Austria	557	4	4	4	4
Sweden	535	4	4	4	4
Central and Eastern Europe	334	901	361	321	1155
of which					
Croatia	14	4	5	4	70
Poland	159	236	113	173	178
Russian Federation	56	37	100	47	340
Czech Republic	34	573	61	-19	375
Hungary	52	31	62	71	-91
Other European countries	24	121	49	312	-449
of which					
Turkey	-8	96	0	49	296
North America	6105	5978	3709	7988	5258
Canada	825	-166	335	289	1182
United States	5280	6144	3373	7699	4076
Other industrial countries	-220	756	806	379	885
Japan	-268	-35	305	-192	116
South Africa	48	151	93	159	176
Australia	-6	609	401	144	581
New Zealand	7	31	7	268	13

1 The minus sign (-) signifies an outflow of capital from Switzerland (disinvestment).

2 Until 1994, member of EFTA

3 Incl. Guernsey, Jersey and the Isle of Man

4 From 1995 onwards, member of the EU

	1994	1995	1996	1997 revised	1998 provisional
Capital exports¹ in millions of Swiss francs					
2. NICs	863	-55	1406	1986	5110
Latin America	103	186	260	-207	1088
Argentina	47	28	65	-11	312
Brazil	-54	127	-10	-338	339
Chile	27	35	83	30	-216
Mexico	84	-3	121	112	653
Asia	760	-242	1146	2192	4023
Hong Kong	420	-547	21	246	444
Korea (South)	29	19	66	-57	282
Malaysia	8	17	233	82	153
Philippines	14	-8	39	49	1169
Singapore	110	175	542	1677	1470
Taiwan	93	61	22	48	120
Thailand	86	41	224	148	386
3. Developing countries	-392	487	1057	1837	2127
Latin America (incl. Caribbean)	-692	2	-267	964	1572
of which					
Costa Rica	-16	45	10	-1	-26
Ecuador	4	11	80	27	10
Guatemala	-5	4	-176	60	-4
Colombia	90	7	82	34	388
Panama	442	83	131	364	200
Peru	9	19	-9	158	-25
Uruguay	56	92	172	217	268
Venezuela	-1	-5	121	95	60
Africa	54	25	90	230	83
of which					
Egypt	33	34	18	92	56
Ivory Coast	-6	6	17	16	27
Morocco	-1	8	19	32	-11
Nigeria	14	-2	1	-9	5
Asia	246	459	1234	644	472
of which					
China (People's Republic)	168	342	378	269	124
India	31	13	370	160	63
Indonesia	15	46	177	134	90
Lebanon	3	9	8	2	-2
Pakistan	-17	23	22	34	-19
Saudi Arabia	33	4	3	43	-2
United Arab Emirates	10	3	3	12	9
All countries	14761	14438	19964	26133	20626