

The Swiss balance of payments in 2002

Press release of 28 August 2003

Rise in current account surplus

At Sfr 39 billion in 2002, the current account surplus exceeded the previous year's level by Sfr 2 billion. This was mainly brought about by lower imports of goods; owing in particular to weak domestic demand, imports of goods decreased more sharply than exports. In relation to gross domestic product, the current account surplus reached 9.3%, compared with 8.7% in the previous year. By international standards, the surplus was thus again high.

In nominal terms, goods imports (special trade) diminished by 5%. Falling by 1%, exports of goods held their own relatively well, however. As a result, the surplus from trade rose by Sfr 5 billion to Sfr 7 billion. Total goods trade (incl. precious metals, electrical energy, etc.) recorded a surplus of Sfr 5 billion (previous year Sfr -5 billion).

Due to the economic slump and the continuously sluggish financial market, trade in services declined considerably. Earnings from tourism and the banks' earnings from financial services, which together make up roughly half of exports of services, saw a decline. Since imports, too, receded, the surplus from services equalled the previous year's figure of Sfr 22 billion.

Investment income fell markedly due to the falling interest rate level and diminishing earnings on direct investment. Receipts from Swiss investment abroad decreased by Sfr 25 billion to Sfr 63 billion, expenditures for foreign investment in Switzerland contracted by one-third to Sfr 35 billion. The surplus from investment income declined by Sfr 7 billion to Sfr 27 billion. Since Switzerland's assets abroad are considerably higher than foreign assets in Switzerland, the low interest rate level and the poor business results of companies in Switzerland and abroad impacted more markedly on receipts than on expenditures.

Shifts in financial flows

Financial flows in 2002 were shaped by banks and companies concentrating heavily on short-term investments. Direct investment and portfolio investment for the most part receded. At Sfr 16 billion, Swiss companies invested only half as much in foreign subsidiaries as in the previous year. Compared with the extreme value of 2000, the decline even amounted to four-fifths. Swiss portfolio investment abroad receded by approximately one-third to Sfr 47 billion. Three-quarters of this amount were invested in bonds and money market instruments.

The inflows of capital for direct investment in Switzerland shrank as a result of sluggish acquisition activity to Sfr 5 billion from Sfr 15 billion in the previous year. Foreign portfolio investment in Switzerland, by contrast, saw a remarkable rise from Sfr 3 billion to Sfr 11 billion. For the most part, equities of Swiss companies were bought.

The salient feature of other investment was the high volume of net capital exports by banks. In net terms, Sfr 33 billion was invested abroad, mainly through the interbank market, compared with net capital imports of Sfr 19 billion in the previous year.

A detailed comment on the Swiss balance of payments will be published at the end of September together with the Monthly Statistical Bulletin of the Swiss National Bank as well as at the beginning of October together with the publication "Die Volkswirtschaft" 10/2003. The comment on the Swiss balance of payments will also be available on the Internet:

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Information on the individual items

Current account

Goods trade

With economic development in Switzerland and abroad still muted, foreign trade continued to weaken in 2002. Falling by 5%, nominal imports (special trade) declined much more markedly than exports, which decreased by 1%. In the previous year, both imports and exports had still registered slight growth.

Services

Earnings from tourism declined by 4% to Sfr 12 billion in 2002. After the setback in foreign travel at the end of 2001, the disappointing economic trend prevented a recovery of cross-border tourism. The number of overnight stays in hotels and health resorts by foreign visitors diminished by 8%. Lacklustre economic development in Switzerland also led to a drop in expenditures for personal and business travel abroad by 2% to Sfr 10 billion.

The banks' receipts from financial services again fell significantly by 12% as a result of the weak financial markets.

International transportation was also on the decline. Cross-border insurance business and trade with technological services showed very dynamic development, however.

Investment income

In 2002, the investment income account was shaped by the falling interest rate level and the poor business results of the direct investment enterprises. Earnings from portfolio investment abroad receded by 7% to Sfr 23 billion. Earnings from direct investment abroad were down to a mere Sfr 19 billion from Sfr 32 billion in the previous year. This was mainly due to the massive drop in the corporate results of Swiss subsidiaries abroad. In the banks' interest business, a much sharper decline in expenditures than in receipts was recorded. This led to a significant rise in net interest income from abroad. Expenditures for foreign portfolio investment in Switzerland fell by 16% to Sfr 12 billion. Payments relating to foreign direct investment in Switzerland dropped by more than one-third to Sfr 8 billion due to smaller dividend payments to the parent companies abroad.

Financial account

Direct investment

Capital exports for direct investment abroad were halved to Sfr 16 billion in 2002. At Sfr 24 billion, however, slightly more equity capital was acquired than a year earlier. Retained profits (reinvested earnings), which are likewise classified as direct investment flows, however, showed a minus of Sfr 7 billion attributable to substantial losses of foreign subsidiaries in the banking and insurance industries. A breakdown by sectors shows a clear shift in capital exports from the service sector to the manufacturing sector, the latter having invested Sfr 15 billion, the bulk of investment abroad. Direct investment in the EU dropped from Sfr 11 billion to Sfr 7 billion. In the wake of disinvestment by the service sector, capital exports to the US diminished by more than half to Sfr 4 billion.

Foreign direct investment in Switzerland totalled Sfr 5 billion, the lowest level since 1996. A year ago, it had still amounted to Sfr 15 billion, two years ago to as much as Sfr 32 billion. The decrease is due to the strong decline in acquisitions in Switzerland. Investment was limited almost exclusively to the service sector. Finance and holding companies as well as trading companies recorded the biggest inflows of Sfr 3 billion and Sfr 1 billion respectively. The breakdown by country evidences a steep fall in direct investment from the EU and Japan. The individual EU countries developed unevenly, however. The US, too, reduced its investments year-on-year.

Portfolio investment

Swiss portfolio investment abroad, which comprises net purchases of securities of foreign issuers, plunged by approximately one-third to Sfr 47 billion. Investment in bonds and money market instruments totalled Sfr 35 billion, one-fourth lower than the year-earlier figure. Investment in equity securities was halved, to Sfr 12 billion.

Foreign portfolio investment, which comprises net purchases of domestic issuers' securities by foreign investors, totalled Sfr 11 billion in 2002, exceeding the low level of the previous year by Sfr 8 billion. Mostly Swiss franc-denominated securities were purchased. Three-fourths of total funds were invested in equities of Swiss enterprises. In addition to shares, foreign investors acquired money market instruments worth close to Sfr 3 billion.

Other investment

Cross-border lending and deposit business of the banks (domestic offices) increased significantly in 2002 and was dominated by interbank business. Overall, a net amount of Sfr 45 billion flowed abroad via the interbank market, while other lending resulted in a net capital import of Sfr 13 billion. Net capital exports of enterprises (excluding loans figuring under direct investment) amounted to Sfr 12 billion, compared with Sfr 9 billion in the previous year.

Overview Swiss balance of payments in billions of Swiss francs^{1,*}

	1998	1999	2000	2001 revised	2002 provisional
I. Current account net	37.8	45.7	53.5	36.2	38.6
Goods net	-2.3	-0.3	-4.2	-4.6	5.2
Special trade, net	2.2	1.0	-2.1	1.7	7.3
Exports	109.1	114.4	126.5	131.7	130.4
Imports	-106.9	-113.4	-128.6	-130.1	-123.1
Other trade, net	-4.6	-1.3	-2.2	-6.3	-2.1
Services net	19.6	21.6	25.6	22.1	22.1
Tourism, net	1.7	1.6	2.4	2.1	1.9
Receipts	11.6	11.8	13.1	12.7	12.2
Expenses	-9.9	-10.2	-10.7	-10.6	-10.3
Financial services, net	9.2	11.1	13.3	11.8	10.4
Receipts	10.0	12.0	14.6	12.9	11.3
Expenses	-0.7	-0.8	-1.3	-1.1	-0.9
Other services, net	8.6	8.9	9.9	8.2	9.7
Labour income and investment income net	25.9	30.5	37.0	25.5	17.9
Labour income, net	-6.4	-6.5	-7.8	-8.6	-9.2
Receipts	1.6	1.6	1.7	2.0	2.0
Expenses	-8.0	-8.1	-9.5	-10.5	-11.2
Investment income, net	32.4	37.0	44.8	34.0	27.1
Receipts	65.0	73.7	102.4	87.7	62.5
Portfolio investment	17.9	21.7	24.5	24.6	22.9
Direct investment	26.1	34.9	44.1	31.5	18.9
Other investment	21.0	17.0	33.8	31.6	20.7
Expenses	-32.7	-36.7	-57.6	-53.7	-35.4
Portfolio investment	-8.0	-9.9	-12.0	-13.7	-11.6
Direct investment	-11.7	-15.7	-17.8	-12.8	-8.3
Other investment	-13.0	-11.1	-27.8	-27.1	-15.5
Current transfers net	-5.3	-6.2	-4.9	-6.7	-6.5
II. Capital transfers net	0.2	-0.8	-6.0	2.6	-1.8
III. Financial account net	-45.3	-49.6	-39.8	-59.5	-54.3
Direct investment net	-14.2	-32.4	-42.9	-15.8	-11.2
Swiss direct investment abroad	-27.2	-50.0	-75.4	-30.9	-15.7
Equity capital	-16.9	-23.8	-56.0	-22.4	-24.3
Reinvested earnings	-7.2	-18.3	-16.8	-4.4	7.3
Other capital	-3.1	-7.9	-2.6	-4.1	1.3
Foreign direct investment in Switzerland	13.0	17.6	32.5	15.0	4.5
Equity capital	5.1	7.6	19.9	15.9	1.2
Reinvested earnings	6.5	9.7	11.0	1.0	0.7
Other capital	1.4	0.3	1.7	-1.8	2.6

	1998	1999	2000	2001 revised	2002 provisional
Portfolio investment net	-6.7	-61.5	-19.9	-69.1	-35.2
Swiss portfolio investment abroad	-21.6	-70.4	-37.7	-72.3	-46.6
Debt securities	-17.9	-44.1	-3.4	-47.1	-34.8
Bonds and notes	-17.8	-39.8	-1.7	-39.3	-29.6
Money market instruments	-0.1	-4.2	-1.6	-7.8	-5.2
Equity securities	-3.7	-26.3	-34.3	-25.2	-11.9
Foreign portfolio investment in Switzerland	14.9	8.9	17.8	3.2	11.4
Debt securities	2.3	0.6	2.5	0.1	2.6
Bonds and notes	2.3	0.5	2.3	-0.8	0.0
Money market instruments	n/a	0.1	0.2	0.9	2.6
Equity securities	12.5	8.2	15.3	3.1	8.8
Other investment net	-23.2	41.5	16.4	26.5	-4.2
Commercial bank lending, net	-16.7	27.5	11.0	18.5	-32.5
Claims abroad	-66.0	-116.1	-140.4	46.5	-91.1
Claims on banks	-61.1	-106.4	-123.6	42.5	-93.9
Other claims	-4.8	-9.7	-16.8	4.0	2.8
Liabilities abroad	49.3	143.6	151.4	-27.9	58.7
Liabilities vis-à-vis banks	39.2	134.6	159.3	-29.1	48.8
Other liabilities	10.1	9.0	-7.8	1.2	9.9
Corporate lending ² , net	-5.4	3.1	-1.2	-8.9	-11.7
Claims abroad	-14.4	2.0	-13.9	-11.5	-10.8
Liabilities abroad	9.0	1.1	12.8	2.6	-0.9
Government lending, net	0.3	0.2	0.0	0.0	0.3
Other, net	-1.4	10.7	6.5	16.8	39.6
International reserves total³	-1.1	2.8	6.7	-1.1	-3.7
Changes in foreign assets	-0.2	-1.3	6.7	-1.1	-3.7
Counterentry to valuation changes	-0.9	4.1	.	.	.
IV. Net errors and omissions	7.3	4.7	-7.7	20.7	17.5

1 The minus sign (-) indicates a surplus of imports over exports in the current account, and an export of capital in the other positions.

2 Intragroup lending is shown under direct investment.

3 Since 2000, flows have been shown in the table in conformity with the current guidelines of the IMF. Until 1999, changes in holdings were shown according to the old standard. This required a counterentry for non-transaction-induced changes in foreign positions.

* Differences in aggregates, i.e. totals and sums of components, due to the rounding of figures.

n/a no data available

Components of the current account 2001 and 2002 in billions of Swiss francs¹ and percentage change from previous year

Components	2001 r			2002 p			Percentage change	
	Receipts	Expenses	Net	Receipts	Expenses	Net	Receipts	Expenses
A. Goods	145.9	150.6	-4.6	143.5	138.3	5.2	-1.7%	-8.1%
Special trade	131.7	130.1	1.7	130.4	123.1	7.3	-1.0%	-5.3%
Electrical energy	3.0	1.9	1.1	2.5	1.5	1.0	-15.3%	-21.5%
Other goods	11.2	18.6	-7.4	10.6	13.7	-3.1	-5.8%	-26.4%
B. Services	46.7	24.6	22.1	45.8	23.7	22.1	-2.0%	-3.6%
Tourism	12.7	10.6	2.1	12.2	10.3	1.9	-3.5%	-2.4%
Private insurance	1.8	0.1	1.7	3.7	0.1	3.6	107.7%	6.1%
Merchanting	1.3	-	1.3	2.0	-	2.0	52.8%	
Transportation	7.5	5.5	2.0	5.0	4.1	1.0	-32.6%	-25.6%
Postal, courier and telecommunications services	1.3	1.6	-0.3	1.3	1.4	-0.1	-1.1%	-13.1%
Other services	22.2	6.9	15.3	21.5	7.9	13.7	-3.0%	13.8%
<i>Financial services</i>	<i>12.9</i>	<i>1.1</i>	<i>11.8</i>	<i>11.3</i>	<i>0.9</i>	<i>10.4</i>	<i>-12.1%</i>	<i>-15.9%</i>
<i>Technological services</i>	<i>5.5</i>	<i>5.5</i>	<i>0.0</i>	<i>6.8</i>	<i>6.6</i>	<i>0.1</i>	<i>23.8%</i>	<i>20.7%</i>
<i>Other services</i>	<i>3.9</i>	<i>0.3</i>	<i>3.5</i>	<i>3.5</i>	<i>0.3</i>	<i>3.1</i>	<i>-10.5%</i>	<i>-3.8%</i>
C. Labour income and investment income	89.7	64.2	25.5	64.6	46.7	17.9	-28.0%	-27.3%
Labour income	2.0	10.5	-8.6	2.0	11.2	-9.2	2.6%	6.6%
Investment income	87.7	53.7	34.0	62.5	35.4	27.1	-28.7%	-34.0%
D. Current transfers	16.4	23.1	-6.7	16.7	23.2	-6.5	1.5%	0.2%
Private transfers	11.9	16.8	-4.9	12.3	16.5	-4.2	3.4%	-1.7%
Public transfers	4.6	6.4	-1.8	4.4	6.7	-2.3	-3.5%	5.1%
Total (A+B+C+D)	298.8	262.5	36.2	270.5	231.9	38.6	-9.5%	-11.7%

1 Differences in the totals are due to the rounding of figures.

r revised

p provisional

Swiss direct investment abroad: breakdown by country¹

	1998	1999	2000	2001 revised	2002 provisional
Capital exports² in millions of Swiss francs					
1. Europe and extra-European industrial countries	16090	38128	63693	22840	13591
EU	10154	21359	23537	10561	7058
Belgium	349	1179	4429	-561	1722
Denmark	-31	280	-167	-30	66
Germany	889	5799	-1113	5419	297
Finland	224	126	263	145	-29
France ³	333	827	-933	-1581	1109
Greece	205	179	355	163	244
Ireland	-54	5446	1303	-4713	143
Italy	-197	192	-222	1958	1046
Luxembourg	1651	-47	3440	7825	-2847
Netherlands	1003	1716	3227	-632	1530
Austria	344	515	100	395	421
Portugal	-69	561	1594	263	-25
Sweden	844	-656	328	-170	3006
Spain	377	-545	97	1379	455
United Kingdom ⁴	4287	5788	10836	702	-80
EFTA	-93	362	-1208	242	791
Central and Eastern Europe	1175	1174	1095	1583	1708
of which					
Croatia	70	-44	16	21	7
Poland	208	473	586	202	-175
Russian Federation	335	599	-7	696	129
Slovakia	21	38	13	9	52
Czech Republic	356	-64	183	275	57
Hungary	-76	100	77	170	24
Other European countries⁵	-449	744	5954	-30	135
of which					
Turkey	296	-95	-242	-158	281
North America	4458	13640	34232	10014	4255
Canada	1232	83	553	687	356
United States	3226	13557	33678	9327	3899
Other extra-European industrial countries	845	850	83	470	-356
Australia	572	322	-267	-67	299
Japan	124	628	336	465	-437
New Zealand	11	-215	-3	18	-10
South Africa	138	116	18	54	-209

1998	1999	2000	2001 revised	2002 provisional
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Capital exports² in millions of Swiss francs

2. Emerging economies	6932	6244	2014	802	213
Asia	5689	4949	838	359	959
Hong Kong	447	665	-63	249	-203
Korea (South)	283	179	184	86	-9
Malaysia	102	227	-25	72	-34
Philippines	1169	57	313	98	-21
Singapore	3173	3811	222	-388	1050
Taiwan	121	92	160	34	5
Thailand	395	-82	46	206	171
Central and South America	1243	1295	1177	443	-747
Argentina	321	-103	48	471	-463
Brazil	446	844	246	-806	-497
Chile	-178	17	-27	-163	1
Mexico	654	537	910	941	212
3. Developing countries	4187	5614	9739	7239	1890
Asia	441	-21	251	630	-10
of which					
China (People's Republic)	123	-143	212	180	-28
India	29	-59	-43	139	79
Indonesia	90	10	-22	156	35
Lebanon	-2	-13	-143	12	17
Pakistan	-17	7	59	42	18
Saudi Arabia	-2	60	-83	-6	7
United Arab Emirates	11	19	85	55	-64
Viet-Nam	-2	-18	-33	-19	-43
Central and South America	3645	5343	9233	6535	1965
of which					
Costa Rica	-26	0	-17	13	17
Ecuador	10	20	23	55	42
Guatemala	-4	22	-97	-8	19
Colombia	387	115	-109	-70	-111
Peru	-25	47	57	36	-12
Uruguay	284	291	299	90	155
Venezuela	61	11	127	176	-239
Offshore financial centres ⁶	2991	4703	8794	6379	1513
Africa	102	293	255	74	-65
of which					
Egypt	57	93	11	82	48
Côte d'Ivoire	51	-26	-47	-20	-90
Morocco	-12	2	-30	37	23
Nigeria	5	-7	4	8	3
All countries	27209	49986	75446	30881	15693

- 1 The definition of countries is based on the Eurostat nomenclature.
- 2 The minus sign (-) indicates a return flow of capital into Switzerland (disinvestment).
- 3 Since 2000 incl. Monaco, Réunion, French Guiana, Guadeloupe and Martinique.
- 4 Until 1999 incl. Guernsey, Jersey and the Isle of Man.
- 5 Since 2000 incl. Guernsey, Jersey and the Isle of Man, excl. Monaco.
- 6 Anguilla, Bahamas, Barbados, Bermuda, Virgin Islands (British), Jamaica, Cayman Islands, Montserrat, Netherlands Antilles, Panama, St Kitts and Nevis; since 2000 incl. Virgin Islands (US), Antigua and Barbuda, Belize, Dominica, Grenada, St Lucia, St Vincent and the Grenadines, Turks and Caicos Islands.

Foreign direct investment in Switzerland: breakdown by country¹

	1998	1999	2000	2001 revised	2002 provisional
Capital imports² in millions of Swiss francs					
1. Europe and extra-European industrial countries	11763	17459	31355	14701	4663
EU	5625	9224	12939	11484	3469
of which					
Belgium	-50	177	226	169	-267
Denmark	27	-52	873	1840	-108
Germany	2715	2907	4022	-1432	-568
France ³	-393	615	587	938	2235
Italy	1584	476	1954	299	132
Luxembourg	505	431	2852	894	609
Netherlands	1612	-1183	538	7505	346
Austria	38	114	266	23	47
Sweden	75	-1	62	-48	235
Spain	-113	475	102	50	32
United Kingdom ⁴	-378	5238	1330	1219	869
EFTA	0	3	30	-26	133
Other European countries⁵	22	23	52	53	-1011
of which					
Turkey	22	23	26	1	20
North America	6509	9669	18443	2869	2278
Canada	-55	-189	7832	-454	-148
United States	6564	9858	10611	3323	2426
Other extra-European industrial countries	-383	-1464	-80	313	-208
of which					
Japan	-457	-1509	-37	278	-255
2. Emerging economies	-10	-11	814	181	12
3. Developing countries	1211	155	351	162	-133
Asia	-47	44	20	22	-222
of which					
Israel	36	36	-8	14	-310
Central and South America	1255	109	322	136	85
Africa	3	3	9	5	5
All countries	12963	17603	32519	15045	4542

- 1 The definition of countries is based on the Eurostat geonomenclature.
- 2 The minus sign (-) indicates an outflow of capital from Switzerland (disinvestment).
- 3 Since 2000 incl. Monaco, Réunion, French Guiana, Guadeloupe and Martinique.
- 4 Until 1999 incl. Guernsey, Jersey and the Isle of Man.
- 5 Since 2000 incl. Guernsey, Jersey and the Isle of Man, excl. Monaco.

Current account, net in billions of Swiss francs

Graph 1

- Current account
- Goods
- Services
- Income
- Transfers

