

# The Swiss balance of payments in 2003

Press release of 19 August 2004

## Significant increase in current account surplus

The current account surplus surged by CHF 21 billion to CHF 57 billion in 2003. Higher profits of Swiss companies' subsidiaries abroad were the main reason for the significant increase. As a percentage of gross domestic product, the current account surplus reached 13%, compared with 8% in 2002. A similarly high figure in relation to GDP was last recorded in 2000.

As a result of higher direct investment income, investment income from abroad rose by almost one-third to CHF 83 billion. A year earlier, losses incurred by subsidiaries abroad had depressed investment income. Investment income paid abroad remained at the year-earlier level (CHF 37 billion). Income from direct investment registered a marked increase, but was offset by lower interest payments on securities and loans.

Trade in goods and services grew vigorously in the second half of the year thanks to brisker foreign demand. However, owing to the sluggish economy and fears relating to the war in Iraq in the first half of 2003, exports and imports of goods and services only just reached the year-back level. The net position from trade in goods and services in 2003 equalled the year-earlier level.

## Turnaround in direct investment

After having decreased for two years, direct investment abroad expanded again in 2003. Considerably higher capital exports flowed to the US and to the offshore financial centres. Capital flows to the EU, by contrast, were again lower than a year earlier. Direct investment in Switzerland grew by CHF 6 billion to CHF 16 billion. The increase in company acquisitions and higher investment in finance and holding companies were responsible for this rise.

## Declining portfolio investment

Swiss portfolio investment abroad declined slightly. At CHF 45 billion, it corresponded to the long-term average. Investors bought almost exclusively fixed-interest securities, nearly two-thirds of which were denominated in Swiss francs. Foreign investors on balance sold CHF 3 billion of Swiss securities in 2003. A year earlier, they had invested CHF 11 billion in Swiss securities.

## Adjustments of the current account in line with the national accounts pursuant to ESA95

The changeover of the national accounts (NA) to the European System of Accounts 95 (ESA95) necessitated adjustments to the current account. The changes result in a slightly lower current account surplus.

The report on the Swiss Balance of Payments can be accessed on the Internet as of mid-September. The printed version will be available as of the end of September.

For further information please contact: Hildegard Muff, Swiss National Bank, telephone +41 1 631 37 05

## Information on the individual items

### Current account

#### *Goods trade*

While the first half of 2003 had seen a decline in foreign trade, the recovery of the global economy led to vigorous growth in the second half of the year. Over the year as a whole, however, the Swiss export sector stagnated. The trade surplus (special trade) thus remained unchanged year-on-year at CHF 7 billion.

#### *Services*

Exports of services equalled the previous year's figure. Development across all industries was mixed, however. Receipts from financial services suffered a steep decline in the first half of 2003 which was offset in the second half owing to the recovery of the financial markets. In the insurance business, higher premium income from abroad led to a significant increase in insurance companies' income. International passenger transportation and licence fees from abroad underwent heavy losses. Services imports fell short of the year-earlier level. The decline in foreign travel by the Swiss population led to a renewed drop in expenses for tourism. The surplus from services amounted

to CHF 24 billion, compared with CHF 23 billion a year earlier.

#### *Investment income*

Income from investment abroad surged by 31% to CHF 83 billion. Income from direct investment abroad rose from CHF 19 billion to CHF 43 billion. The rise was due in large part to higher profits of subsidiaries abroad. Income from portfolio investment abroad diminished by 4% to CHF 22 billion on the back of lower interest rates and dividends. Income from foreign investment in Switzerland equalled the year-earlier figure of CHF 37 billion. As to direct investment, interest and dividend payments as well as retained profits were higher than a year previously. Interest and dividend payments on portfolio investment in Switzerland receded by 6% to CHF 11 billion. On balance, investment income grew by CHF 20 billion to CHF 46 billion.

### **Financial account**

#### *Direct investment*

In 2003, capital outflows for direct investment abroad rose by CHF 9 billion to CHF 21 billion. More than one-third of total direct investment capital (CHF 7 billion) flowed into the US, with banks, insurance companies and the chemical industry accounting for most of the outflows. Direct investment in the EU countries (EU15) amounted to CHF 6 billion, CHF 1 billion less than in the previous year. Belgium and Luxembourg together registered investment totalling CHF 6 billion. By contrast, CHF 2 billion was repatriated from Italy and France. Swiss direct investors also withdrew capital from the ten new EU member countries after investment had been particularly heavy there in the previous years. The highest capital exports outside of the EU and the US flowed into offshore financial centres located in Central and South America or in Europe.

Foreign direct investment in Switzerland totalled CHF 16 billion in 2003. In the previous year, at CHF 10 billion, it had fallen to its lowest level since 1996. CHF 11 billion, i.e. CHF 2 billion more than in the previous year, flowed into the service sector. CHF 9 billion of this amount was invested in finance and holding companies alone. Investment from North America doubled to CHF 8 billion. The capital primarily flowed into the electronics industry and into finance and holding companies. With investments totalling over CHF 6 billion, the EU countries were an important source of foreign direct investment in Switzerland. Of this amount, almost CHF 4 billion came from Dutch investors, CHF 2 billion from the United Kingdom, and CHF 1 billion from France. Germany saw further disinvestment – a trend observable since 2001.

#### *Portfolio investment*

Net purchases of securities of foreign issuers diminished by CHF 2 billion to CHF 45 billion in 2003. Demand for equity securities in particular was extremely weak at CHF 3 billion in spite of improved sentiment on the equity markets. In the previous year, a full CHF 12 billion had been invested. Nearly three-quarters of total funds flowed into bonds. In the debt securities category, the Swiss franc was the most important investment currency by far, while the euro ranked second. The US dollar was the dominant currency for equity securities.

On balance, foreign investors sold CHF 6 billion of Swiss equity securities in 2003. A year earlier, they had invested CHF 9 billion in equity securities. Debt securities registered a net influx of CHF 4 billion. Half of this amount was invested in bonds and half in money market paper. Portfolio investment in Switzerland generated a net outflow of CHF 3 billion overall compared with an inflow totalling CHF 11 billion a year earlier.

#### *Other investment*

Lending business between banks – interbank business – contracted sharply in 2003. On balance, funds exported via the interbank market fell from CHF 40 billion to CHF 17 billion. By contrast, banks stepped up their lending business with customers abroad considerably. In the previous year, redemptions exceeded new loans granted. In the customer deposit category, the banks recorded an inflow of CHF 20 billion of new funds (previous year: CHF 10 billion). Capital outflows were primarily denominated in US dollars, while inflows were mostly transacted in euros.

**Overview of the Swiss balance of payments in billions of Swiss francs<sup>1,\*</sup>**

	1999	2000	2001	2002 revised	2003 provisional
<b>I. Current account net</b>	44.1	51.7	33.8	36.2	57.0
<b>Goods net</b>	-0.3	-4.2	-4.6	5.1	4.5
Special trade, net	1.0	-2.1	1.7	7.3	6.9
Receipts	114.4	126.5	131.7	130.4	130.7
Expenses	-113.4	-128.6	-130.1	-123.1	-123.8
Other trade, net	-1.3	-2.2	-6.3	-2.2	-2.4
<b>Services net</b>	22.8	27.3	23.4	23.3	24.0
Tourism, net	1.6	2.4	2.1	2.0	2.5
Receipts	11.8	13.1	12.7	12.3	12.6
Expenses	-10.2	-10.7	-10.6	-10.3	-10.1
Financial services, net	11.1	13.3	11.8	10.4	10.4
Receipts	12.0	14.6	12.9	11.3	11.3
Expenses	-0.8	-1.3	-1.1	-0.9	-0.9
Other services, net	10.1	11.6	9.5	10.9	11.1
<b>Labour income and investment income net</b>	29.3	35.8	23.8	16.7	35.5
Labour income, net	-6.9	-8.3	-9.1	-9.2	-10.3
Receipts	1.6	1.7	2.0	1.9	2.1
Expenses	-8.5	-9.9	-11.1	-11.1	-12.4
Investment income, net	36.2	44.0	32.9	25.9	45.8
Receipts	73.7	102.4	87.3	63.1	82.6
Portfolio investment	21.7	24.5	24.6	22.9	22.0
Direct investment	34.9	44.1	31.1	19.4	42.7
Other investment income	17.0	33.8	31.6	20.7	17.9
Expenses	-37.4	-58.3	-54.4	-37.1	-36.8
Portfolio investment	-9.9	-12.0	-13.7	-11.6	-10.9
Direct investment	-15.7	-17.8	-12.8	-9.3	-13.2
Other investment income	-11.8	-28.5	-27.8	-16.2	-12.8
<b>Current transfers net</b>	-7.8	-7.1	-8.8	-8.9	-7.0
<b>II. Capital transfers net</b>	-0.8	-6.0	2.6	-1.8	-1.0
<b>III. Financial account net</b>	-48.6	-39.0	-59.4	-36.9	-43.2
<b>Direct investment net</b>	-32.4	-42.9	-15.8	-2.8	-5.5
Swiss direct investment abroad	-50.0	-75.4	-30.8	-12.3	-21.1
Equity capital	-23.8	-56.0	-22.0	-24.6	-4.9
Reinvested earnings	-18.3	-16.8	-4.0	8.7	-15.4
Other capital	-7.9	-2.6	-4.8	3.6	-0.8
Foreign direct investment in Switzerland	17.6	32.5	14.9	9.5	15.6
Equity capital	7.6	19.9	15.8	4.0	11.5
Reinvested earnings	9.7	11.0	1.0	2.1	3.2
Other capital	0.3	1.7	-1.8	3.4	0.9

	1999	2000	2001	2002 revised	2003 provisional
<b>Portfolio investment net</b>	-61.5	-19.9	-69.1	-35.2	-47.0
Swiss portfolio investment abroad	-70.4	-37.7	-72.3	-46.6	-44.5
Debt securities	-44.1	-3.4	-47.1	-34.8	-41.6
Bonds and notes	-39.8	-1.7	-39.3	-29.6	-32.9
Money market instruments	-4.2	-1.6	-7.8	-5.2	-8.7
Equity securities	-26.3	-34.3	-25.2	-11.9	-2.9
Foreign portfolio investment in Switzerland	8.9	17.8	3.2	11.4	-2.5
Debt securities	0.6	2.5	0.1	2.6	3.7
Bonds and notes	0.5	2.3	-0.8	0.0	2.2
Money market instruments	0.1	0.2	0.9	2.6	1.5
Equity securities	8.2	15.3	3.1	8.8	-6.2
<b>Other investment net</b>	42.4	17.1	26.7	4.8	13.8
Commercial bank lending, net	27.5	11.0	18.0	-26.8	-6.8
Claims abroad	-116.1	-140.4	45.9	-85.5	-14.3
Claims on banks	-106.4	-123.6	41.9	-88.3	-4.3
Other claims	-9.7	-16.8	4.0	2.8	-10.0
Liabilities abroad	143.6	151.4	-27.9	58.7	7.5
Liabilities vis-à-vis banks	134.6	159.3	-29.1	48.8	-12.8
Other liabilities	9.0	-7.8	1.2	9.9	20.3
Corporate lending <sup>2</sup> , net	3.1	-1.2	-8.9	-8.7	6.1
Claims abroad	2.0	-13.9	-11.5	-7.6	-2.8
Liabilities abroad	1.1	12.8	2.6	-1.1	8.9
Government lending, net	0.2	0.0	0.0	0.3	-0.1
Other, net	11.6	7.3	17.5	40.1	14.7
<b>Reserve assets total<sup>3</sup></b>	2.8	6.7	-1.1	-3.7	-4.5
Changes in foreign assets	-1.3	6.7	-1.1	-3.7	-4.5
Valuation changes on foreign assets	4.1	.	.	.	.
<b>IV. Net errors and omissions</b>	5.3	-6.7	23.0	2.5	-12.8

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.

**Components of the 2002 and 2003 current accounts in billions of Swiss francs<sup>1</sup>  
and percentage change from previous year**

Components	2002 r			2003 p			Percentage change	
	Receipts	Expenses	Net	Receipts	Expenses	Net	Receipts	Expenses
<b>A. Goods</b>	<b>138.0</b>	<b>132.9</b>	<b>5.1</b>	<b>137.1</b>	<b>132.6</b>	<b>4.5</b>	<b>-0.7%</b>	<b>-0.3%</b>
Special trade	130.4	123.1	7.3	130.7	123.8	6.9	0.2%	0.5%
Electrical energy	2.5	1.5	1.0	2.4	1.4	1.1	-3.0%	-8.8%
Other goods	5.1	8.3	-3.2	4.0	7.5	-3.5	-22.9%	-10.4%
<b>B. Services</b>	<b>47.0</b>	<b>23.8</b>	<b>23.3</b>	<b>47.1</b>	<b>23.1</b>	<b>24.0</b>	<b>0.0%</b>	<b>-3.0%</b>
Tourism	12.3	10.3	2.0	12.6	10.1	2.5	2.6%	-2.4%
Private insurance	4.3	0.1	4.2	4.8	0.1	4.6	9.8%	0.0%
Merchanting	2.0	-	2.0	1.7	-	1.7	-15.9%	
Transportation	5.2	4.1	1.1	5.1	3.9	1.2	-1.4%	-5.8%
Postal, courier and telecommunications services	1.3	1.4	-0.1	1.3	1.3	0.0	0.3%	-4.0%
Other services	22.0	7.9	14.1	21.6	7.7	13.9	-1.5%	-2.2%
<i>Financial services</i>	<i>11.3</i>	<i>0.9</i>	<i>10.4</i>	<i>11.3</i>	<i>0.9</i>	<i>10.4</i>	<i>-0.4%</i>	<i>-1.2%</i>
<i>Technological services</i>	<i>6.8</i>	<i>6.6</i>	<i>0.1</i>	<i>6.1</i>	<i>6.5</i>	<i>-0.3</i>	<i>-9.2%</i>	<i>-2.5%</i>
<i>Other services</i>	<i>3.9</i>	<i>0.3</i>	<i>3.6</i>	<i>4.2</i>	<i>0.3</i>	<i>3.9</i>	<i>8.4%</i>	<i>2.8%</i>
<b>C. Labour income and investment income</b>	<b>65.0</b>	<b>48.3</b>	<b>16.7</b>	<b>84.7</b>	<b>49.2</b>	<b>35.5</b>	<b>30.4%</b>	<b>1.9%</b>
Labour income	1.9	11.1	-9.2	2.1	12.4	-10.3	8.6%	11.0%
Investment income	63.1	37.1	25.9	82.6	36.8	45.8	31.0%	-0.9%
<b>D. Current transfers</b>	<b>16.6</b>	<b>25.5</b>	<b>-8.9</b>	<b>18.0</b>	<b>25.0</b>	<b>-7.0</b>	<b>8.3%</b>	<b>-2.0%</b>
Private transfers	13.6	19.3	-5.8	14.8	18.6	-3.9	8.9%	-3.5%
Public transfers	3.0	6.1	-3.1	3.2	6.3	-3.1	5.4%	2.9%
<b>Total (A+B+C+D)</b>	<b>266.6</b>	<b>230.4</b>	<b>36.2</b>	<b>286.8</b>	<b>229.8</b>	<b>57.0</b>	<b>7.6%</b>	<b>-0.3%</b>

<sup>1</sup> Differences in the totals are due to the rounding of figures.

r revised

p provisional

## Swiss direct investment abroad: breakdown by country<sup>1</sup>

	1999	2000	2001	2002 revised	2003 provisional
<b>Capital exports<sup>2</sup> in millions of Swiss francs</b>					
<b>1. Europe and non-European industrial countries</b>	<b>38128</b>	<b>63693</b>	<b>23631</b>	<b>13034</b>	<b>16872</b>
<b>EU</b>	<b>21359</b>	<b>23537</b>	<b>11632</b>	<b>7340</b>	<b>5569</b>
Belgium	1179	4429	-545	2030	2518
Denmark	280	-167	-29	74	75
Germany	5799	-1113	5696	247	3
Finland	126	263	99	-8	5
France <sup>3</sup>	827	-933	-1582	985	-1621
Greece	179	355	167	241	370
Ireland	5446	1303	-4713	175	-57
Italy	192	-222	1958	773	-1805
Luxembourg	-47	3440	7825	-2956	3739
Netherlands	1716	3227	167	1505	610
Austria	515	100	399	455	590
Portugal	561	1594	270	75	-266
Sweden	-656	328	-165	3002	522
Spain	-545	97	1382	480	19
United Kingdom <sup>4</sup>	5788	10836	703	261	869
<b>EFTA</b>	<b>362</b>	<b>-1208</b>	<b>247</b>	<b>791</b>	<b>102</b>
<b>Central and Eastern Europe</b>	<b>1174</b>	<b>1095</b>	<b>1589</b>	<b>1587</b>	<b>487</b>
of which					
Croatia	-44	16	21	7	63
Poland	473	586	209	-152	125
Russian Federation	599	-7	696	151	108
Slovakia	38	13	9	52	-5
Czech Republic	-64	183	274	55	-501
Hungary	100	77	172	28	190
<b>Other European countries<sup>5</sup></b>	<b>744</b>	<b>5954</b>	<b>-61</b>	<b>58</b>	<b>2529</b>
of which					
Offshore financial centres <sup>6</sup>	.	5709	-242	-246	2836
Turkey	-95	-242	-158	249	37
<b>North America</b>	<b>13640</b>	<b>34232</b>	<b>9728</b>	<b>3707</b>	<b>7149</b>
Canada	83	553	108	307	316
United States	13557	33678	9620	3401	6833
<b>Other non-European industrial countries</b>	<b>850</b>	<b>83</b>	<b>496</b>	<b>-449</b>	<b>1037</b>
Australia	322	-267	-66	437	1222
Japan	628	336	487	-640	8
New Zealand	-215	-3	22	-7	-55
South Africa	116	18	54	-238	-138

1 The definition of countries is based on the Eurostat geonomenclature.

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 Gibraltar, Guernsey, Jersey and the Isle of Man.

7 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.

	1999	2000	2001	2002 revised	2003 provisional
<b>Capital exports<sup>2</sup> in millions of Swiss francs</b>					
<b>2. Emerging economies</b>	<b>6244</b>	<b>2014</b>	<b>730</b>	<b>-253</b>	<b>892</b>
<b>Asia</b>	<b>4949</b>	<b>838</b>	<b>227</b>	<b>729</b>	<b>367</b>
Hong Kong	665	-63	258	-203	134
Korea (South)	179	184	86	-11	27
Malaysia	227	-25	67	-34	81
Philippines	57	313	98	-272	-84
Singapore	3811	222	-523	1050	-14
Taiwan	92	160	34	31	41
Thailand	-82	46	206	167	182
<b>Central and South America</b>	<b>1295</b>	<b>1177</b>	<b>503</b>	<b>-981</b>	<b>525</b>
Argentina	-103	48	533	-542	357
Brazil	844	246	-808	-615	162
Chile	17	-27	-163	-8	-23
Mexico	537	910	941	184	29
<b>3. Developing countries</b>	<b>5614</b>	<b>9739</b>	<b>6421</b>	<b>-519</b>	<b>3367</b>
<b>Asia</b>	<b>-21</b>	<b>251</b>	<b>631</b>	<b>-35</b>	<b>211</b>
of which					
China (People's Republic)	-143	212	181	-64	0
India	-59	-43	139	76	135
Indonesia	10	-22	156	36	-13
Lebanon	-13	-143	12	17	2
Pakistan	7	59	42	18	23
Saudi Arabia	60	-83	-6	7	-18
United Arab Emirates	19	85	55	-52	-38
Viet-Nam	-18	-33	-19	-40	25
<b>Central and South America</b>	<b>5343</b>	<b>9233</b>	<b>5702</b>	<b>-233</b>	<b>3085</b>
of which					
Costa Rica	0	-17	13	17	86
Ecuador	20	23	55	42	14
Guatemala	22	-97	-8	-8	-6
Colombia	115	-109	-70	-189	37
Peru	47	57	36	-42	-11
Uruguay	291	299	90	152	37
Venezuela	11	127	176	-239	177
Offshore financial centres <sup>7</sup>	4703	8998	5546	-492	3600
<b>Africa</b>	<b>293</b>	<b>255</b>	<b>89</b>	<b>-251</b>	<b>71</b>
of which					
Egypt	93	11	82	48	31
Côte d'Ivoire	-26	-47	-6	-93	4
Morocco	2	-30	37	26	34
Nigeria	-7	4	8	3	26
<b>All countries</b>	<b>49986</b>	<b>75446</b>	<b>30782</b>	<b>12262</b>	<b>21131</b>

## Foreign direct investment in Switzerland: breakdown by country<sup>1</sup>

	1999	2000	2001	2002 revised	2003 provisional
<b>Capital imports<sup>2</sup> in millions of Swiss francs</b>					
<b>1. Europe and non-European industrial countries</b>	<b>17459</b>	<b>31355</b>	<b>14602</b>	<b>9679</b>	<b>14574</b>
<b>EU</b>	<b>9224</b>	<b>12939</b>	<b>11385</b>	<b>7634</b>	<b>6423</b>
of which					
Belgium	177	226	169	-266	-28
Denmark	-52	873	1840	-108	-32
Germany	2907	4022	-1425	-321	-399
France <sup>3</sup>	615	587	944	2685	1187
Italy	476	1954	299	410	116
Luxembourg	431	2852	791	306	-213
Netherlands	-1183	538	7505	-46	3621
Austria	114	266	23	105	-10
Sweden	-1	62	-48	189	290
Spain	475	102	50	34	29
United Kingdom <sup>4</sup>	5238	1330	1211	4726	2215
<b>EFTA</b>	<b>3</b>	<b>30</b>	<b>-26</b>	<b>133</b>	<b>80</b>
<b>Other European countries<sup>5</sup></b>	<b>23</b>	<b>52</b>	<b>53</b>	<b>-965</b>	<b>-36</b>
of which					
Turkey	23	26	1	20	4
<b>North America</b>	<b>9669</b>	<b>18443</b>	<b>2869</b>	<b>3075</b>	<b>8371</b>
Canada	-189	7832	-454	193	379
United States	9858	10611	3323	2883	7992
<b>Other non-European industrial countries</b>	<b>-1464</b>	<b>-80</b>	<b>313</b>	<b>-244</b>	<b>-263</b>
of which					
Japan	-1509	-37	278	-291	-264
<b>2. Emerging economies</b>	<b>-11</b>	<b>814</b>	<b>181</b>	<b>8</b>	<b>146</b>
<b>3. Developing countries</b>	<b>155</b>	<b>351</b>	<b>162</b>	<b>-199</b>	<b>885</b>
<b>Asia</b>	<b>44</b>	<b>20</b>	<b>22</b>	<b>-293</b>	<b>33</b>
of which					
Israel	36	-8	14	-310	23
<b>Central and South America</b>	<b>109</b>	<b>322</b>	<b>136</b>	<b>90</b>	<b>848</b>
<b>Africa</b>	<b>3</b>	<b>9</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>All countries</b>	<b>17603</b>	<b>32519</b>	<b>14945</b>	<b>9488</b>	<b>15605</b>

- 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

