

Swiss National Bank
Swiss Balance of Payments 1998

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Overview

The balance of payments summarises Switzerland's economic transactions with foreign countries. The current account comprises goods, services, investment income and labour income, and current transfers. The financial transactions are recorded in the financial account.

The statistical basis for compiling the balance of payments was improved in 1998. The former estimates of banks' financial services and of transferred earnings from direct investment have been replaced by quarterly surveys. Moreover, since 1999 all components of financial flows have been collected on a quarterly basis and will henceforth be published. Up to now, the financial account could only be drawn up annually due to the lack of complete quarterly data. The statistical changes are commented in detail in the text and in the notes at the end of the report.

In 1998, the current account surplus contracted by Sfr 3 billion to Sfr 34.6 billion. In relation to GDP, this surplus – at 9.0% – reached the second highest level ever since statistics have been drawn up. The decline in the current account surplus is attributable to the strong expansion in the import of goods and to lower net investment income.

Given the favourable course of economic activity in Europe and in the USA, the export of goods continued to expand in terms of both volume and value in 1998. Compared with the previous year, however, exports grew at a markedly slower pace. Real imports again showed quite dynamic development due to the improved domestic economy. With unit values declining substantially, the nominal growth rate was markedly lower. For the first time since 1992 the trade balance closed with a deficit of Sfr 1.8 billion.

Trade in services exhibited similar development as the goods trade. Exports of services increased in terms of value by 5.3%. Various service sectors, including notably the financial services of banks, contributed to the growth of exports. Service imports, however, rose much more vigorously, i.e. by 10.5%. The growth of imports was supported by a relatively wide range of components while, at the same time, higher expenditure for tourism must be emphasised. The external contribution (exports less imports) of the balance of payments on current account to GDP declined by Sfr 1.7 billion to Sfr 16.8 billion.

The development of financial flows in 1998 was characterised by financial market turbulence and the launch of the European single currency. Investors showed reluctance in effecting new investments so that the volume of financial flows fell short of the year-earlier figure. Domestic investors acquired fewer foreign securities by approximately one-third than in 1997. The outflows of funds from banks diminished significantly by Sfr 7.9 billion to Sfr 66.3 billion and, as in the previous years, were limited largely to interbank business. Direct investment abroad decreased by Sfr 5.5 billion to Sfr 20.6 billion. 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 equivalent to the year-earlier level. This consisted largely of the reinvested earnings of foreign subsidiaries in Switzerland. On the other hand, inflows for the takeover of enterprises were lower than in 1997. 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 financial account deficit expanded by Sfr 5.2 billion to Sfr 42.2 billion.

The National Bank's international reserves rose only slightly in 1998 (Sfr 0.2 billion), following an increase of as much as Sfr 4.9 billion a year earlier. In 1998, however, foreign assets were adversely affected by an exchange rate-induced book loss of Sfr 0.9 billion, while in 1997 a book profit of Sfr 1.8 billion had been recorded. Foreign exchange holdings diminished by Sfr 0.5 billion (1997: + Sfr 3.9 billion). By contrast, the reserve position in the IMF and balance of payments credits showed an increase (by Sfr 0.3 billion and Sfr 0.5 billion respectively).

1 Swiss balance of payments¹ in 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 income and investment income exports	36.6	37.3	40.8	50.9	63.4
Labour income and investment income imports	-25.9	-23.4	-25.2	-26.8	-40.2
Labour income 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.

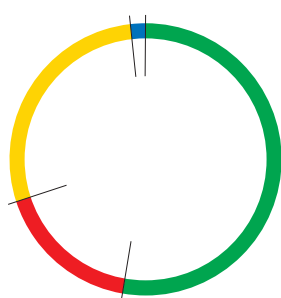
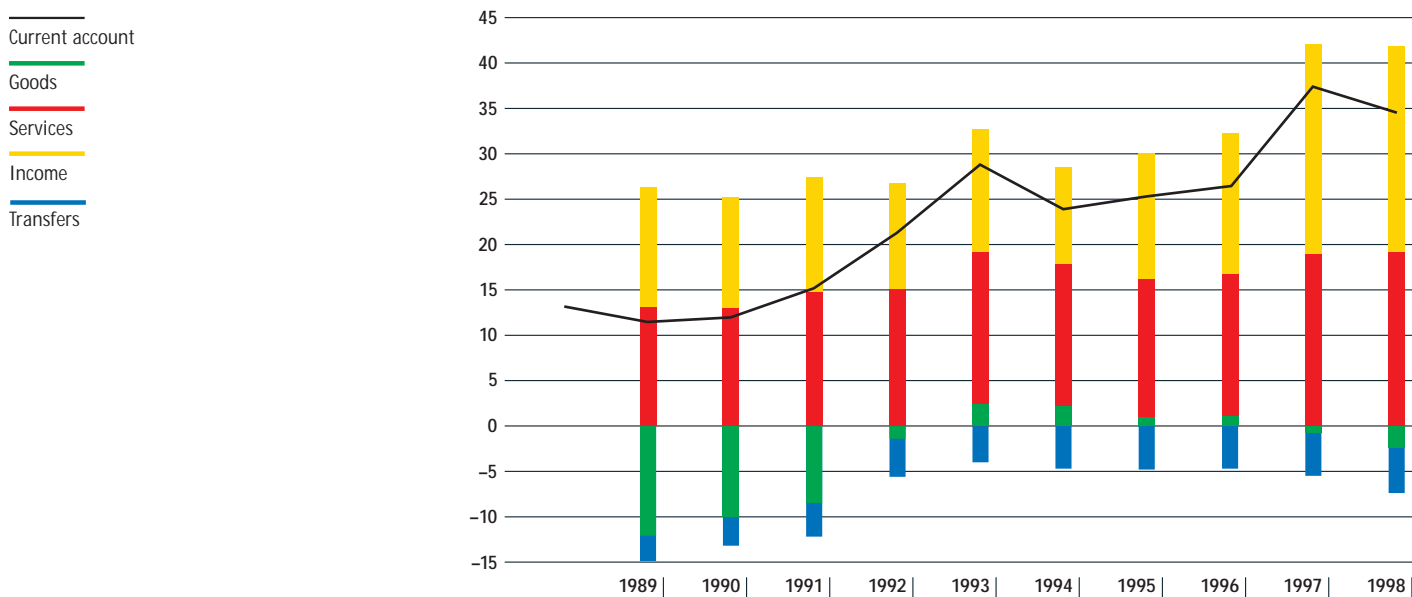
In net holdings of reserves the minus sign indicates an increase in reserves.

* Differences in totals due to the rounding of figures.

Current account

In 1998 exports of goods and services in terms of value expanded by 4%, while imports grew by 5.9%. Net exports of goods and services thus declined by Sfr 1.7 billion to Sfr 16.8 billion. Investment income from other countries rose markedly as a result of higher earnings from portfolio investment and higher transferred earnings from direct investment. Interest and dividend expenses and notably reinvested earnings also substantially exceeded the previous year's level. The surplus on the investment income account consequently declined by Sfr 0.8 billion to Sfr 29.7 billion. The current account surplus contracted by Sfr 3 billion to Sfr 34.6 billion.

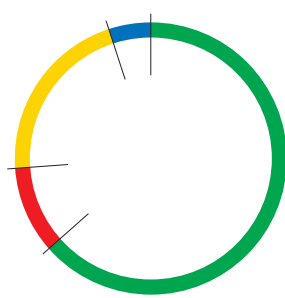
Current account, net, in billions of Swiss francs



Structure receipts percent

- Goods 53
- Services 17
- Income 28
- Current transfers 2

Total receipts: 224.5 billion Swiss francs



Structure expenses percent

- Goods 64
- Services 10
- Income 21
- Current transfers 5

Total expenses: 189.8 billion Swiss francs

2 Current account 1989–1998

	Receipts	Expenses	Net	Current account as a percentage of gross domestic product
	billions of Swiss francs	billions of Swiss francs	billions of Swiss francs	
1989	153.2	141.7	11.5	3.9
1990	160.6	148.6	12.0	3.8
1991	162.2	147.0	15.2	4.6
1992	165.5	144.3	21.3	6.2
1993	169.4	140.6	28.8	8.2
1994	170.4	146.5	23.9	6.7
1995	171.5	146.3	25.2	6.9
1996	179.1	151.9	27.2	7.4
1997	205.6	168.0	37.6	10.1
1998	224.5	189.8	34.6	9.0

Goods

In 1998 exports and imports of goods showed only a modest rise from the year-earlier levels. 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 5.2% to Sfr 115.8 billion. With prices declining, the real growth of foreign trade exceeded nominal values. The trade balance (special trade) exhibited a deficit – amounting to Sfr 1.8 billion – for the first time in six years, following a surplus of Sfr 0.3 billion in the previous year. This deficit is attributable to extraordinarily high imports of precious metals from Southeast Asia. Excluding precious metals, precious stones and gems as well as objets d'art and antiques, the trade balance closed with a surplus of Sfr 2.2 billion.

The two leading export sectors, the machinery and electronics industry and the chemical industry, recorded growth rates in terms of value of 3.4% and 5.6% respectively. Exports in the metal industry likewise advanced by 5.4%. By contrast, the watchmaking industry, the fourth largest export sector, expanded at a below-average rate.

Broken down by geographic areas, deliveries to Germany and France, Switzerland's two major trading partners, were up by 6.8% and 8.6% respectively from the previous year. Exports to non-European industrial countries, however, rose by a mere 3.9%, with deliveries to the USA, the third largest customer, expanding markedly, while goods delivered to Japan declined. Both exports to NICs and those to developing countries were on a decline overall. Of these, exports to Asian NICs fell by approximately one-quarter in the wake of the economic crisis, while those to American NICs increased by 14% despite the turbulence characterising the financial markets in this region.

On the import side, almost half of the total increase in value was due to higher imports of capital goods. Imports of chemicals, machinery, equipment, electronics and vehicles recorded above-average growth rates; imports of energy sources, by contrast, declined by almost one-third in terms of value. Broken down by economic regions, more goods were imported from all EU countries with the exception of the United Kingdom. Imports from Japan and the USA, on the other hand, were on the decline. Less goods were also imported from the developing countries.

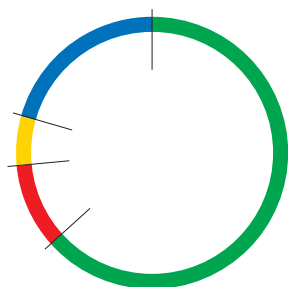
Exports of electrical energy increased by 6.3% in terms of value, and imports rose by almost one-tenth following a decline in 1997. With both export and import prices falling steeply, exports expanded by 13.9% and imports by 20.6% in terms of volume.

Most of the goods included in the item other goods trade comprise returns, small consignments, uncontrolled goods trade and the import of precious metals (notably gold) for industrial purposes. Imports of precious metals rose by 28.5% in terms of value.

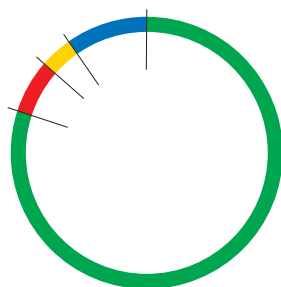
3 Goods

	1994	1995	1996	1997	1998	Changes against previous year
	millions of Swiss francs	millions of Swiss francs	millions of Swiss francs	revised millions of Swiss francs	provisional millions of Swiss francs	percent
Special trade						
Exports	95827	96236	98589	110417	114055	3.3
Imports	92608	94483	96664	110087	115847	5.2
Net	3219	1753	1925	331	-1792	
Electrical energy						
Exports	1788	1863	1816	1903	2022	6.3
Imports	1092	1281	1355	1225	1346	-9.8
Net	696	582	461	678	677	
Other goods						
Exports	1772	1747	1766	1895	2273	20.0
Imports	3452	3043	3005	3357	3373	0.5
Net	-1679	-1296	-1239	-1462	-1101	
Total						
Exports	99387	99847	102171	114215	118350	3.6
Imports	97151	98807	101024	114669	120566	5.1
Net	2236	1040	1147	-454	-2216	

Foreign trade 1998 by economic areas



Exports of goods
percent



Imports of goods
percent



Services

At Sfr 11.4 billion, earnings from tourism remained at more or less the previous year's level in 1998. The higher number of overnight stays by 3.6% was offset by declining expenditures per day of residence; overall, foreign visitors only spent slightly more money in Switzerland than in the previous year. With the exception of Belgium, significantly more visitors came from the main European countries and the USA, whereas the number of visitors from Asian countries declined. A similar development was shown for the hotel industry as for other accommodation, i.e. a slight increase in the number of foreign visitors, on the one hand, and a reduction in flat rentals, on the other. As a result, earnings receded somewhat. In the case of day tours and transit travel, earnings declined for the first time in three years, i.e. by 4.5% to Sfr 2.1 billion.

Expenditures of residents for personal and business travel abroad, etc. 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. Expenditures on day tours and transit travel also climbed fairly steeply. As earnings from foreign travel stagnated and expenditures mounted, the surplus from travel again fell short of the previous year's figure (Sfr 1.4 billion). It thus diminished from a peak of Sfr 2.8 billion in 1992 to Sfr 1 billion.

Earnings of private insurance companies advanced by 10%. As a result of the sluggish development of world trade and declining prices, notably for raw materials, earnings from transit trade contracted markedly. Owing to the conspicuously better performance of airline companies, earnings from international transportation of persons and goods clearly surpassed the year-earlier level. In the field of postal and telecommunication services, both earnings and expenditures expanded considerably.

After the statistical basis had been improved, receipts and expenditures from financial services were compiled in gross terms for the first time in 1998. For this reason, only the net receipts 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 technological services, which by international definition comprise earnings from licenses and patents, as well as technical consulting, increased by 12% to Sfr 4.6 billion.

Total earnings from cross-border trade in services rose by 5.3% to Sfr 38.7 billion, while expenditures mounted by 10.5% to Sfr 19.7 billion. At Sfr 19 billion, the surplus on services account slightly exceeded the previous year's figure.

4 Services

	1994	1995	1996	1997	1998	Changes against previous year
	millions of Swiss francs	millions of Swiss francs	millions of Swiss francs	revised millions of Swiss francs	provisional millions of Swiss francs	percent
Tourism total						
Receipts	11433	11185	10989	11531	11355	-1.5
Expenses	8777	8774	9425	10141	10309	1.7
Net	2657	2412	1564	1390	1047	
Business and personal travel						
Receipts	8237	8049	7750	8020	8095	0.9
Expenses	7397	7317	7925	8549	8823	3.2
Net	840	732	-175	-529	-728	
Same-day and transit travel						
Receipts	1944	1909	1997	2196	2096	-4.5
Expenses	893	933	974	1033	1078	4.4
Net	1052	976	1023	1162	1018	
Other tourism						
Receipts	470	446	459	559	413	-26.1
Expenses	471	507	509	541	390	-27.9
Net	-1	-61	-50	18	23	
Consumption expenditure of border workers						
Receipts	783	782	783	757	751	-0.7
Expenses	17	17	17	17	17	0.0
Net	766	765	766	740	734	
Private insurance						
Receipts	1590	1451	1769	2070	2277	10.0
Expenses	26	25	49	49	100	104.1
Net	1564	1426	1720	2021	2177	
Merchandising						
Receipts	886	1037	1051	1421	1050	-26.1
Transportation total						
Receipts	3019	2981	3060	4087	4306	5.4
Expenses	2257	2436	2687	2841	2812	-1.0
Net	762	545	373	1246	1494	
Passengers						
Receipts	2280	2241	2334	3035	3185	4.9
Expenses	2253	2433	2684	2841	2812	-1.0
Net	28	-192	-350	195	373	
Freight						
Receipts	738	739	726	1051	1121	6.6
Expenses ¹	4	3	3	0	0	
Net	734	737	723	1051	1121	

	1994	1995	1996	1997	1998	Changes against previous year
	millions of Swiss francs	millions of Swiss francs	millions of Swiss francs	revised millions of Swiss francs	provisional millions of Swiss francs	percent
Postal, courier and telecommunication services						
Receipts	637	622	638	709	903	27.3
Expenses	800	853	898	989	1123	13.5
Net	-163	-231	-260	-280	-220	
Other services total						
Receipts	13371	13500	14938	16905	18794	11.2
Expenses	3441	3478	4025	3767	5314	41.1
Net	9929	10023	10914	13138	13480	
Financial services						
Receipts	6560	6654	7796	8816	9975	13.1
Expenses	n/a	n/a	n/a	n/a	733	
Net	6560	6654	7796	8816	9242	
Technological services						
Receipts	3493	3285	3341	4072	4560	12.0
Expenses	1509	1492	1768	1662	1987	19.5
Net	1984	1793	1573	2410	2573	
Other services						
Receipts	3318	3562	3801	4017	4258	6.0
Expenses	1932	1986	2256	2105	2594	23.2
Net	1386	1576	1545	1912	1664	
Total						
Receipts	30936	30776	32445	36723	38685	5.3
Expenses	15300	15565	17084	17786	19657	10.5
Net	15635	15211	15361	18936	19028	

1 The expenses for transportation of freight are for the most part included in the imports of goods.

n/a no data available

Labour income and investment income

The chief item under the heading labour income from abroad comprises the gross salaries of persons employed by international organisations in Switzerland. International organisations having their domicile in Switzerland and foreign embassies in Switzerland are considered to be extraterritorial areas and thus figure under other countries. Income from other countries, at Sfr 1.5 billion, fell marginally short of the previous year's level. Expenditures consist mainly of salaries and wages paid to foreign cross-border staff. Since their number was still on a slight decline, expenditures also fell somewhat to Sfr 8 billion. Approximately half of all salaries and wages paid to foreign cross-border staff was accounted for by France.

Income and expenditures from foreign assets and liabilities each rose by approximately Sfr 13 billion. The strong growth is due to the gross accounting procedure applying to transferred direct investment earnings (interest and dividends). In the past, transferred direct investment earnings were entered in the books on a net basis due to a lack of detailed data.

Net earnings from Swiss financial assets and direct investment declined by Sfr 0.8 billion to Sfr 29.7 billion. Income from portfolio investment abroad rose by Sfr 2.4 billion to Sfr 17.7 billion, and, at Sfr 8 billion, interest and dividend payments on foreign investments in Switzerland exceeded the previous year's level by Sfr 2.3 billion. The rise in both income and expenditure is due to higher investment in securities. Net earnings from direct investment contracted by Sfr 1.2 billion to Sfr 12 billion, with transferred net earnings expanding substantially in statistical terms (new survey) while reinvested net earnings exhibited a deficit. This deficit was caused by a massive increase in retained profits of foreign subsidiaries in Switzerland and a decrease in reinvested earnings of Swiss subsidiaries abroad. The banks' income from credit business with other countries, despite expanding in volume, rose by a mere 0.9% to Sfr 16.2 billion. Interest payments by the banks to other countries amounted to Sfr 12.9 billion, exceeding the previous year's figure by Sfr 0.6 billion. Accordingly, net interest income – at Sfr 3.3 billion – fell short of the year-earlier level by 11.3%. The National Bank's investment income rose by 22.5% to Sfr 3.3 billion. This rise is attributable to shifts into long-term securities. Earnings from fiduciary investment were also slightly higher, due to larger holdings.

5 Labour income and investment income

	1994	1995	1996	1997	1998	Changes against previous year
	millions of Swiss francs	millions of Swiss francs	millions of Swiss francs	revised millions of Swiss francs	provisional millions of Swiss francs	percent
Labour income						
Receipts	1450	1532	1509	1544	1504	-2.6
Expenses	8313	8341	8360	8076	8015	-0.8
Net	-6864	-6809	-6851	-6532	-6511	
Investment income total						
Receipts	35132	35804	39276	49346	61882	25.4
Expenses	17580	15046	16834	18767	32148	71.3
Net	17552	20758	22442	30579	29734	
Portfolio investment						
Receipts	13400	13857	14295	15305	17736	15.9
Expenses	4364	4554	4872	5723	7991	39.6
Net	9036	9303	9423	9582	9745	
Direct investment¹						
Receipts	7357	6611	9765	13887	23183	66.9
Expenses	3780	825	2930	624	11166	1688.6
Net	3577	5786	6835	13263	12017	
Other investment						
Receipts	14375	15336	15216	20154	20962	4.0
Expenses	9436	9667	9032	12420	12991	4.6
Net	4939	5669	6184	7734	7972	
Total						
Receipts	36582	37336	40784	50890	63386	24.6
Expenses	25893	23387	25194	26843	40163	49.6
Net	10689	13949	15591	24047	23223	

1 Since 1998, the transferred earnings from direct investment have been recorded on a gross basis.

Current transfers

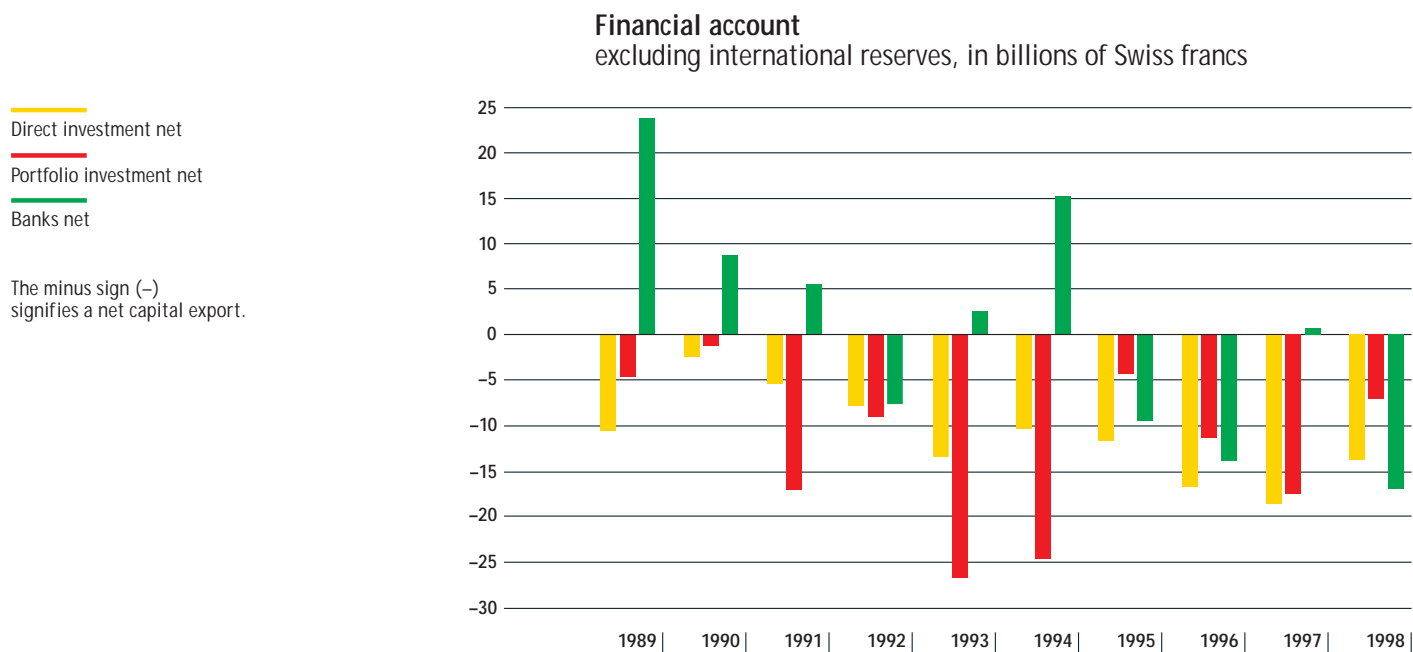
Current transfers from abroad totalled Sfr 4 billion, i.e. 6.1% above the previous year's level. This increase is largely accounted for by higher state revenue in the form of taxes and fees, etc. Transfers abroad rose likewise, by Sfr 0.7 billion to Sfr 9.5 billion. Transfers by foreign labour (persons with permanent residence and annual work permits and seasonal workers) again diminished somewhat to Sfr 2.8 billion due to the decline in the number of working persons. Other private transfers, however, slightly exceeded the year-earlier level. The outlays for public transfers (social security and government) also increased by 12.8% to Sfr 6 billion. Social security transfers include mainly pension payments and refunds of contributions to the Old Age and Survivors Insurance Fund by foreign nationals. State expenditures primarily represent foreign financial aid in the field of technical cooperation and remittances to international organisations.

6 Current transfers

	1994	1995	1996	1997	1998	Changes against previous year
	millions of Swiss francs	millions of Swiss francs	millions of Swiss francs	revised millions of Swiss francs	provisional millions of Swiss francs	percent
Private transfers total						
Receipts	403	406	407	406	406	0.1
Expenses	3700	3713	3621	3405	3429	0.7
of which workers' remittances	3161	3168	3065	2867	2812	-1.9
Net	-3297	-3307	-3214	-2999	-3024	
Public transfers total						
Receipts	3052	3136	3253	3405	3635	6.8
Expenses	4437	4844	4968	5342	6028	12.8
Net	-1385	-1709	-1715	-1937	-2393	
Social security						
Receipts	1243	1332	1357	1315	1318	0.2
Expenses	2900	3155	3265	3534	4175	18.1
Net	-1658	-1824	-1908	-2218	-2857	
General Government						
Receipts	1809	1804	1895	2089	2317	10.9
Expenses	1536	1689	1703	1808	1853	2.5
Net	273	115	192	281	464	
Total						
Receipts	3455	3542	3659	3810	4041	6.1
Expenses	8137	8557	8589	8747	9458	8.1
Net	-4682	-5016	-4930	-4936	-5417	

Financial account

Cross-border financial flows were lower in 1998 than in the previous year. Capital exports declined from Sfr 135.2 billion in 1997 to Sfr 128.7 billion in 1998. Approximately half of all capital exports are accounted for by banks, which invested the funds mainly with banks abroad. Long-term capital exports in the form of direct investment and portfolio investment also decreased significantly. Capital imports diminished by some Sfr 11 billion to Sfr 85.5 billion as the banks received fewer funds from abroad than in the previous year. By contrast, there was a rise in capital imports for the acquisition of domestic securities. Capital imports in the form of direct investment weakened slightly. The deficit in the financial account without international reserves expanded by Sfr 5.2 billion to Sfr 42.2 billion.



Direct investment

In 1998 direct investment abroad declined by Sfr 5.5 billion from the previous year's level to Sfr 20.6 billion. Investment from retained earnings, which are also included in direct investment, fell by more than half from Sfr 9.9 billion a year earlier to Sfr 4.1 billion in 1998. Conversely, capital outflows for acquisitions and loans to subsidiaries abroad exceeded the 1997 level.

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. Chemical and pharmaceutical companies, which had effected large-scale acquisitions in 1997, reduced their capital exports to Sfr 0.8 billion, equivalent to one-tenth of the previous year's figure. The engineering and metals industries also cut back their investment, while the enterprises in the electronics sector withdrew funds amounting to a full Sfr 0.9 billion. By contrast, the textile industry, the foodstuffs sector and other industries, expanded their capital exports. 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. Finance companies and trade and commerce also recorded higher capital exports. The negative financial results of the banks' foreign subsidiaries, branch offices and affiliated companies, however, led to disinvestment abroad totalling Sfr 0.3 billion; a year earlier capital exports had still amounted to Sfr 1.8 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. More than half of all the capital invested went to the United Kingdom; at Sfr 3.9 billion, this was again almost equivalent to the previous year's level. In Germany, the second most important location for direct investment by the Swiss economy, considerably less capital was invested, and Ireland saw a withdrawal of funds, notably by holding companies, to the amount of Sfr 1.2 billion. Capital flows to the USA also fell considerably short of the previous year's level, while direct investment in Canada expanded to more than Sfr 1 billion. Capital exports to NICs and developing countries grew vigorously, too. Singapore and the Philippines alone accounted for Sfr 1.5 billion and Sfr 1.2 billion respectively.

Capital imports for direct investment in Switzerland amounted to Sfr 6.9 billion in 1998 and were thus only slightly below the year-earlier level (Sfr 7.3 billion). The profits of subsidiaries retained in Switzerland grew massively. Capital imports for financing enterprises were, however, lower than in the previous year since mainly Japanese and also French investors disinvested in the financial sector. In the case of lendings by groups of companies, funds flowed back to the foreign parent companies.

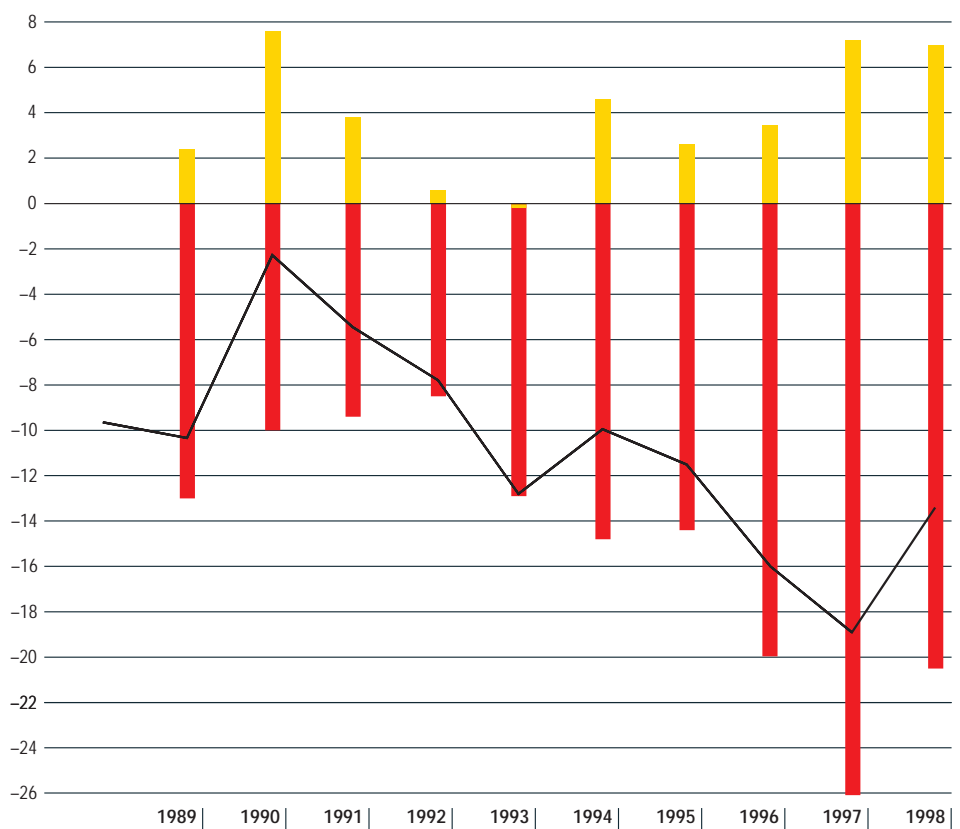
In the industrial sector, capital imports, which had risen a year earlier to Sfr 4.3 billion due to takeovers, in 1998 amounted to no more than a fraction of the 1997 figure. In most branches of industry, capital inflows were weaker than in the previous year. Direct investment in the service sector mounted by Sfr 3.4 billion to Sfr 6.4 billion. Foreign investment in the Swiss banking sector alone quadrupled to Sfr 2.4 billion. At Sfr 1.6 billion, capital imports of holding and finance companies were almost up to the previous year's level.

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). Between 1993 and 1997 Italy had reduced its capital in Switzerland more or less in line with new investment in 1998.

Net direct investment abroad from capital exports and imports fell from Sfr 18.8 billion in 1997 to Sfr 13.7 billion in 1998. Net outflows to the United Kingdom alone amounted to Sfr 3.9 billion.

Direct investment in billions of Swiss francs

Swiss direct investment abroad
 Foreign direct investment in Switzerland
 Net (the minus sign [-] signifies a net capital export)



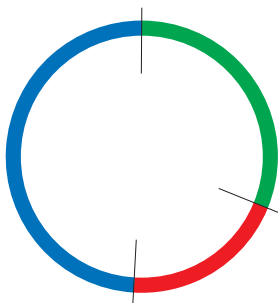
7.1 Swiss direct investment abroad

	1994	1995	1996	1997 revised	1998 provisional
Capital exports¹ in millions of Swiss francs					
Manufacturing	10043	8838	8551	15901	5598
Textiles and clothing	-8	43	-8	118	620
Chemicals and plastics	4916	3273	2074	8465	848
Metal and machinery	1375	1423	766	2598	1993
Electronic, energy, optical and watchmaking industries	1116	1086	2919	3477	-896
Food stuffs, other manufacturing and construction	2645	3013	2800	1243	3033
Services	4718	5600	11413	10231	15028
Trade	605	1269	-4	571	2237
Finance and holding companies of which foreign-controlled ²	380	-38	2087	5046	4298
Banks	1494	1308	551	1796	-292
Insurance	1487	2209	7597	1732	8326
Transport and communication	429	499	940	214	811
Other services	323	353	241	872	-352
Total	14761	14438	19964	26132	20626

1 The minus sign (-) signifies a return flow of capital into Switzerland (disinvestment).

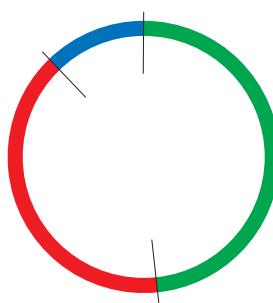
2 An enterprise is considered to be a foreign-controlled enterprise if a majority share of its capital is in foreign hands.

Direct investment 1998 by economic areas



Swiss direct investment abroad
percent

EU 31
United States 20
Others 49



Foreign direct investment in Switzerland
percent

EU 48
United States 40
Others 12

7.2 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 a return flow of capital into 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	26132	20626

8.1 Foreign direct investment in Switzerland

	1994	1995	1996	1997 revised	1998 provisional
Capital imports¹ in millions of Swiss francs					
Manufacturing	1074	1415	2184	4264	501
Chemicals and plastics	378	231	946	2362	194
Metal and machinery	-20	-30	-32	1691	32
Electronic, energy, optical and watchmaking industries	645	529	1015	204	207
Other manufacturing and construction	71	686	255	6	68
Services	3530	1214	1622	3027	6432
Trade	820	289	380	246	937
Finance and holding companies	1741	-1092	123	1814	1619
Banks ²	556	83	763	558	2417
Insurance and other services	413	1935	356	409	1459
Total	4604	2629	3805	7291	6933

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

2 The sector «Banks» comprises institutions subject to the Banking Law. Finance companies no longer subject to the Banking Law from 1995 onwards are listed under finance and holding companies.

8.2 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

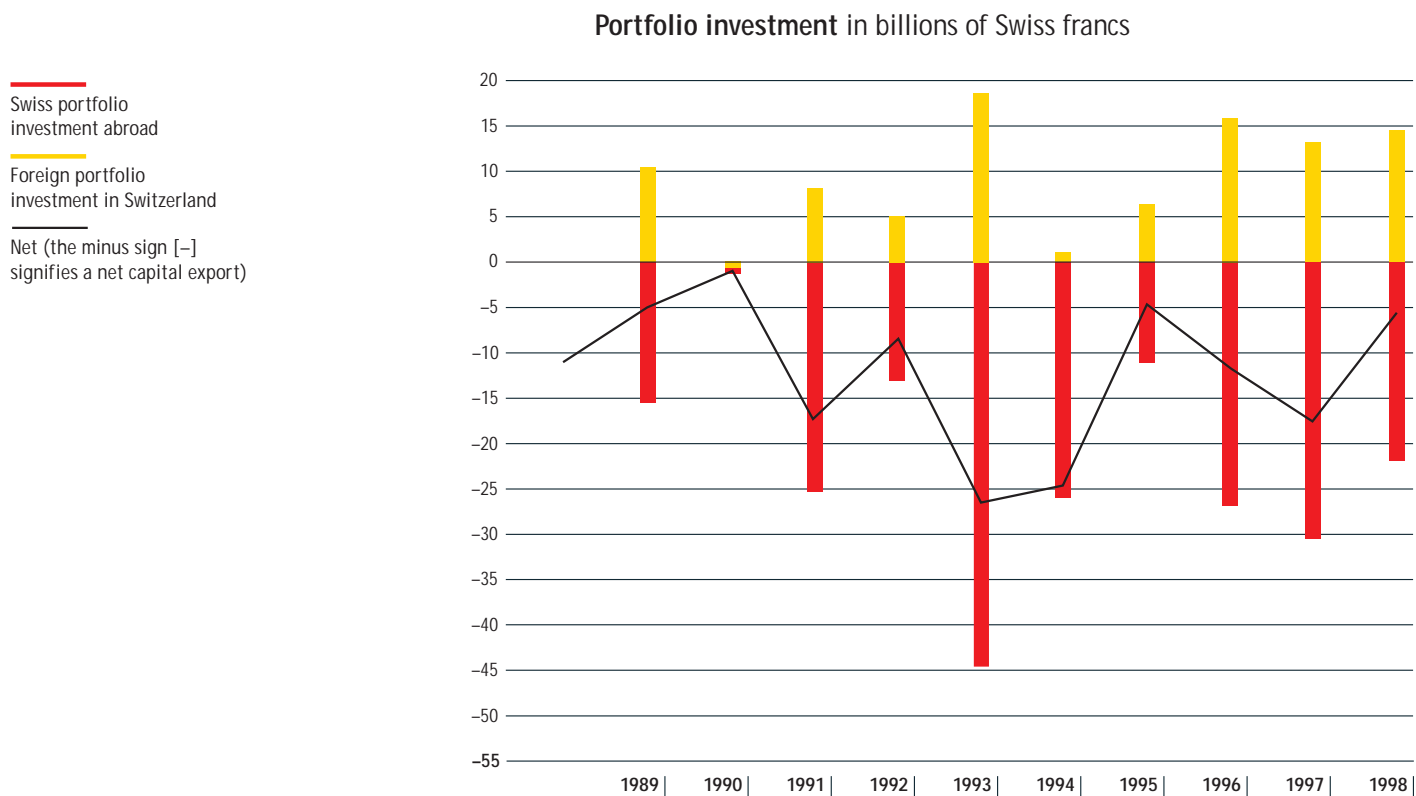
3 Incl. Guernsey, Jersey and the Isle of Man

4 From 1995 onwards, member of the EU

Portfolio investment

A substantial issuing volume and strong price fluctuations characterised the securities markets in 1998. Notwithstanding the turbulence in the financial markets, the share indices in the major industrial countries, with the exception of Japan, topped the year-earlier level at the end of 1998. The Swiss Performance Index – at end-1998 – was 15% higher than at the end of 1997. Net borrowing in the Swiss capital market in the form of domestic bond issues tripled in 1998 compared with the previous year to Sfr 22 billion, while net borrowing in the form of foreign bond issues expanded by approximately Sfr 3 billion to Sfr 25.3 billion. On an annual average, the trade-weighted index of the Swiss franc was higher in nominal terms in 1998 than a year earlier; however, on an adjusted-for-inflation level, the index remained practically constant.

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. On the other hand, 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

In 1998, the foreign credit business of banks (domestic offices) fell distinctly short of the previous year's level and was characterised by large-scale net capital exports in interbank lending. In overall lending business with other countries (customers and banks) capital exports amounted to Sfr 66.3 billion (previous year: Sfr 74.2 billion) and capital imports to Sfr 49.3 billion (Sfr 74.8 billion). Net capital exports totalled Sfr 17 billion. A year earlier the banks had imported net capital to the amount of Sfr 0.6 billion. The banks' considerable flows of funds were blown up – as in the previous year – by the inclusion of securities lending, which accounted for approximately Sfr 9 billion of capital exports and Sfr 14 billion of capital imports.

The flows of funds were, for the most part, processed in foreign currencies, with investments being effected mainly in DM and in the other currencies. In the field of capital imports, inflows in US dollars and in the other currencies predominated. Only relatively small volumes of Swiss franc denominated capital flows were recorded.

Foreign customers were granted loans amounting to Sfr 4.8 billion in 1998, compared with Sfr 7.7 billion in the previous year; a large part of these constituted securities lending and mortgage loans. Inflows of funds from foreign customers declined negligibly by Sfr 0.2 billion to Sfr 10.1 billion and were limited chiefly to sight deposits and time deposits.

Capital outflows in interbank business totalled Sfr 61.4 billion in 1998, compared with Sfr 68.3 billion a year earlier. For the first time in a long while large-scale capital exports in the long term were recorded in interbank business. The inflow of funds in this field contracted by Sfr 25.3 billion to Sfr 39.2 billion.

A breakdown by regions shows that approximately four-fifths of all loans went to western European countries (Sfr 31.9 billion) and to Asia (Sfr 20.3 billion). Capital imports originated mainly from North America (Sfr 14.7 billion), Asia (Sfr 12.1 billion) and western Europe (Sfr 5 billion).

9 Financial flows of banks

	1994	1995	1996	1997	1998
Currency breakdown of bank loans and deposits¹ in billions of Swiss francs*					
Loans					
CHF	4.4	2.5	-12.8	-5.3	3.4
USD	-20.1	-3.0	-24.8	-33.7	4.2
DEM	0.9	-2.2	-0.8	-3.2	-13.6
Other currencies	-5.4	-3.5	-22.6	-34.9	-49.3
Subtotal	-20.2	-6.2	-61.0	-77.1	-55.3
Precious metals and securities lending	-6.1	-5.0	-13.4	2.9	-11.0
Total	-26.3	-11.2	-74.5	-74.2	-66.3
Deposits					
CHF	14.8	-4.2	7.0	20.5	0.4
USD	18.1	-5.9	37.4	33.6	22.2
DEM	0.9	0.4	5.1	0.7	1.2
Other currencies	1.9	6.4	6.2	12.7	13.2
Subtotal	35.8	-3.4	55.7	67.5	37.0
Precious metals and securities lending	5.6	5.3	5.0	7.3	12.3
Total	41.4	1.9	60.7	74.8	49.3
Net					
CHF	19.2	-1.7	-5.8	15.2	3.8
USD	-2.0	-8.9	12.6	-0.1	26.4
DEM	1.9	-1.8	4.2	-2.5	-12.4
Other currencies	-3.5	2.9	-16.4	-22.3	-36.2
Subtotal	15.6	-9.6	-5.3	-9.6	-18.3
Precious metals and securities lending	-0.5	0.3	-8.5	10.2	1.3
Total	15.1	-9.3	-13.7	0.6	-17.0

¹ Minus (-) indicates capital export.

* Differences in the totals due to the rounding of figures.

10 Financial flows of banks

| 1994 | 1995 | 1996 | 1997 | 1998

Breakdown by regions of bank loans and deposits¹ (estimate) in billions of Swiss francs*

Loans

Western Europe	-13.4	-3.2	-38.0	-58.4	-31.9
Central and eastern Europe	0.4	0.0	-0.3	-0.2	0.2
North America	-3.7	-1.9	-14.0	-11.7	-4.9
Latin America	0.9	0.0	-0.8	2.2	0.7
Caribbean	-1.0	-1.0	-1.8	-8.4	0.8
Middle East	-0.6	-0.2	0.6	-0.3	-0.1
Asia. Oceania	-3.0	0.3	-6.3	-1.2	-20.3
Other regions (Africa, Australia, others)	0.2	-0.2	-0.4	0.7	0.1
Subtotal	-20.2	-5.0	-61.0	-77.1	-55.3
Precious metals and securities lending	-6.1	-5.0	-13.4	2.9	-11.0
Total	-26.3	-11.2	-74.5	-74.2	-66.3

Deposits

Western Europe	18.4	-2.9	21.1	54.7	5.0
Central and eastern Europe	0.5	1.2	-0.3	0.1	-0.1
North America	3.6	1.5	26.2	9.7	14.7
Latin America	2.3	-2.0	2.8	0.1	-3.4
Caribbean	0.6	1.8	1.2	1.2	7.1
Middle East	2.4	-0.8	2.7	-0.6	2.2
Asia. Oceania	6.5	-1.3	1.7	1.9	12.1
Other regions (Africa, Australia, others)	1.4	-0.8	0.2	0.7	-0.6
Subtotal	35.8	-3.4	55.7	67.5	37.0
Precious metals and securities lending	5.6	5.3	5.0	7.3	12.3
Total	41.4	1.9	60.7	74.8	49.3

Net

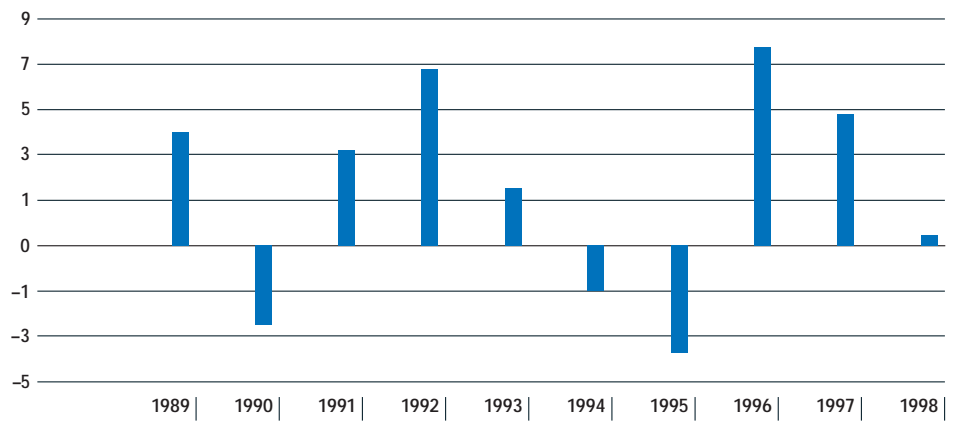
Western Europe	5.0	-6.1	-17.0	-3.7	-26.9
Central and eastern Europe	0.9	1.1	-0.6	-0.1	0.1
North America	-0.2	-0.4	12.2	-2.0	9.9
Latin America	3.2	-2.0	2.1	2.1	-2.7
Caribbean	-0.3	0.8	-0.5	-7.2	7.9
Middle East	1.8	-1.0	3.3	-0.9	2.1
Asia. Oceania	3.5	-1.0	-4.6	0.7	-8.2
Other regions (Africa, Australia, others)	1.6	-1.0	-0.2	1.4	-0.5
Subtotal	15.6	-9.6	-5.2	-9.6	-18.3
Precious metals and securities lending	-0.5	0.3	-8.5	10.2	1.3
Total	15.1	-9.3	-13.7	0.6	-17.0

1 Minus (-) indicates capital export.
* Differences in the totals due to the rounding of figures.

National Bank

The foreign assets of the National Bank, which consist mainly of gold, foreign exchange holdings and the reserve position in the International Monetary Fund (IMF), expanded by Sfr 0.2 billion in 1998. In the previous year foreign assets had increased by Sfr 4.9 billion. Foreign exchange holdings diminished by Sfr 0.5 billion. The decline is due to the exchange rate-induced lower valuation of foreign exchange holdings (Sfr 0.9 billion). The reserve position in the IMF rose by Sfr 0.3 billion (1997: Sfr 0.7 billion). The reserve position corresponds to the difference between the Swiss quota in the IMF and the Swiss franc claims of the IMF on the National Bank. The bilateral and multilateral balance of payments aid grew by Sfr 0.5 billion (1997: Sfr 0.1 billion). With the increase in the reserve position and the balance of payments credits, Switzerland supported the IMF's efforts, in 1998, to contain the financial crises in Asia, Russia and Latin America and also extended balance of payments aid to eastern European countries.

Change in international reserves¹ in billions of Swiss francs



¹ A plus sign (+) indicates an increase in international reserves.

Residual item (net errors and omissions)

The balance of non-recorded transactions and statistical errors is also designated as a residual item of the balance of payments. It corresponds to the arithmetical difference between the total of current account earnings and capital imports, on the one hand, and the total of current account expenditure and capital exports, on the other hand. The double bookkeeping method applied in the balance of payments has the effect that all transactions which were recorded only once or erroneously are shown in the residual item. Since the data for the balance of payments is taken from various sources the discrepancy can hardly be avoided. For this reason, the residual item is contained in the balance of payments of every country.

In 1998 the balance of payments exhibited a positive residual item of Sfr 9 billion. In the previous year a positive residual item of Sfr 2.7 billion had been shown.

11 Components of the balance of payments 1994–1998 in millions of Swiss francs

	1994	1995	1996	1997 revised	1998 provisional
I. Current account net pos. A–D	23878	25184	27169	37593	34618
External contribution net pos. A–C	28560	30200	32098	42529	40035
A. Goods net	2236	1040	1147	–454	–2216
1. Exports	99387	99847	102171	114215	118350
Special trade f.o.b.	95827	96236	98589	110417	114055
Electrical energy	1788	1863	1816	1903	2022
Other goods	1772	1747	1766	1895	2273
2. Imports	–97151	–98807	–101024	–114669	–120565
Special trade c.i.f.	–92608	–94483	–96664	–110087	–115847
Electrical energy	–1092	–1281	–1355	–1225	–1346
Other goods	–3452	–3043	–3005	–3357	–3373
B. Services net	15636	15211	15361	18936	19028
1. Exports	30936	30776	32445	36723	38685
Tourism	11433	11185	10989	11513	11355
Business and personal travel, stays at health resorts and hospitals, travel related to studies, etc.	8237	8049	7750	8020	8095
Same-day and transit travel	1944	1909	1997	2196	2096
Other tourism	470	446	459	559	413
Consumption expenditure of cross-border commuters	783	782	783	757	751
Private insurance	1590	1451	1769	2070	2277
Merchanting	886	1037	1051	1421	1050
Transportation	3019	2981	3060	4087	4306
Passengers	2280	2241	2334	3035	3185
Freight	738	740	726	1051	1121
Postal, courier and telecommunication services	637	622	638	709	903
Other services	13371	13500	14938	16905	18794
Financial services	6560	6654	7796	8816	9975
Technological services	3493	3285	3341	4072	4560
Other services	3318	3561	3801	4017	4258
2. Imports	–15300	–15565	–17084	–17787	–19657
Tourism	–8777	–8774	–9425	–10141	–10309
Business and personal travel, stays at health resorts and hospitals, travel related to studies, etc.	–7397	–7317	–7925	–8549	–8823
Same-day and transit travel	–893	–933	–974	–1033	–1078
Other tourism	–471	–507	–509	–541	–390
Consumption expenditure of cross-border commuters	–17	–17	–17	–17	–17
Private insurance	–26	–25	–49	–49	–100
Merchanting	n/a	n/a	n/a	n/a	n/a
Transportation	–2257	–2436	–2687	–2841	–2812
Passengers	–2253	–2433	–2684	–2841	–2812
Freight	–4	–3	–3	0	0
Postal, courier and telecommunication services	–800	–853	–898	–989	–1123
Other services	–3441	–3478	–4025	–3767	–5314
Financial services	n/a	n/a	n/a	n/a	–733
Technological services	–1509	–1492	–1768	–1662	–1987
Other services	–1932	–1986	–2257	–2105	–2594

	1994	1995	1996	1997 revised	1998 provisional
C. Labour income and investment income net	10689	13949	15591	24047	23223
1. Receipts	36582	37336	40784	50890	63386
Labour income	1450	1532	1509	1544	1504
Investment income	35132	35804	39276	49346	61882
Portfolio investment	13400	13857	14295	15305	17736
Direct investment	7357	6611	9765	13887	23183
Other investment	14375	15336	15216	20154	20962
2. Expenses	-25893	-23387	-25194	-26843	-40163
Labour income	-8313	-8341	-8360	-8076	-8015
Investment income	-17580	-15046	-16834	-18767	-32148
Portfolio investment	-4364	-4554	-4872	-5723	-7991
Direct investment	-3780	-825	-2930	-624	-11166
Other investment	-9436	-9667	-9032	-12420	-12991
D. Current transfers net	-4682	-5016	-4930	-4936	-5417
1. Receipts	3455	3542	3659	3810	4041
Private transfers	403	406	407	406	406
Public transfers	3052	3136	3253	3405	3635
Social security	1243	1332	1357	1315	1318
General government	1809	1804	1895	2089	2317
2. Expenses	-8137	-8558	-8589	-8747	-9458
Private transfers	-3700	-3713	-3621	-3405	-3429
Workers' remittances	-3161	-3168	-3065	-2867	-2812
Other private transfers	-539	-545	-556	-538	-617
Public transfers	-4437	-4844	-4968	-5342	-6028
Social security	-2900	-3155	-3265	-3534	-4175
General government	-1536	-1689	-1703	-1808	-1853
II. Capital transfers net	-200	-156	-152	-114	-436
Transfers from abroad	0	0	0	0	0
Transfers abroad	-200	-156	-152	-114	-436
III. Financial account excluding intern. reserves net E-K	-22407	-14833	-35030	-37013	-42202
E. Direct investment net	-10157	-11810	-16159	-18842	-13693
1. Swiss direct investment abroad	-14762	-14438	-19964	-26132	-20626
Equity capital	-11244	-9638	-13106	-14178	-14055
Reinvested earnings	-3457	-3711	-6465	-9887	-4061
Other capital	-61	-1089	-393	-2067	-2510
2. Foreign direct investment in Switzerland	4605	2628	3805	7291	6933
Equity capital	249	2464	1502	3882	2675
Reinvested earnings	3780	825	2930	624	6243
Other capital	576	-661	-627	2784	-1985

	1994	1995	1996	1997 revised	1998 provisional
F. Portfolio investment net	-24819	-4606	-11751	-17308	-6610
1. Swiss portfolio investment abroad	-26066	-10471	-27689	-30418	-21467
Debt securities	-15025	-5666	-9537	-17126	-17800
Equity securities	-11041	-4805	-18152	-13292	-3667
2. Foreign portfolio investment in Switzerland	1247	5865	15938	13110	14857
Debt securities	3397	-1054	1505	3030	2341
General government	723	705	1068	2375	1476
Others	2674	-1759	437	655	865
Equity	-2150	6919	14433	10080	12516
G. Banks					
net including fiduciary assets and precious metals	14775	-1080	-17895	-809	-17562
1. Claims abroad	-26286	-11174	-74461	-74254	-66338
Claims on banks	-26375	-12974	-71505	-68326	-61410
long-term	341	-840	-1699	-44	-4823
short-term	-26716	-12134	-69806	-68282	-56587
Claims on customers and mortgages	163	1834	-2549	-7699	-4819
Other claims	-74	-34	-407	1771	-109
Bills and money market paper	-74	-34	-407	1771	-109
2. Liabilities abroad	41388	1902	60714	74834	49293
Liabilities vis-à-vis banks	41868	-1508	51724	64493	39182
long-term	898	1368	1160	3086	8513
short-term	40970	-2876	50564	61407	30669
Liabilities vis-à-vis customers	-480	3410	8990	10341	10111
long-term	317	1182	1744	1163	1053
time deposits	379	55	-190	44	378
in savings accounts	-62	1127	1934	1119	675
short-term	-797	2228	7246	9178	9058
3. Fiduciary assets net	-482	7610	-2983	-3122	-1488
Claims of residents	-472	7716	-2848	-3170	-1509
Liabilities of residents	-10	-106	-135	48	21
4. Precious metals net	155	582	-1165	1733	972
Imports of precious metals	-15820	-16820	-19528	-24740	-19827
Exports of precious metals	15975	17403	18364	26473	20798
H. Nonbank companies net	-2039	5202	2698	260	-5443
1. Claims	-11879	5765	-7158	4262	-14433
long-term	-1726	-630	-1500	-1161	-714
short-term	-10153	6395	-5659	5423	-13719
2. Liabilities	9840	-564	9856	-4002	8991
long-term	4398	2028	6027	1672	7563
short-term	5442	-2592	3830	-5673	1428

	1994	1995	1996	1997 revised	1998 provisional
I. Other private sector net	-65	-2775	8047	-768	821
Claims	-3721	-3098	-3026	-5731	-4600
Liabilities	2648	-1305	9473	3989	4397
Sale of domestic real estate to foreigners	1008	1628	1600	973	1023
K. Government net	-102	236	30	454	285
1. Claims general government	-157	-79	-9	278	291
Capital subscription to int. organisations	-61	-61	-58	-8	-4
Granting of long-term credits	-140	-107	-46	-63	-68
Redemption of long-term credits	18	89	91	349	363
Short-term claims	26	-0	4	0	0
2. Liabilities general government	55	315	39	175	-6
IV. Reserves: Changes in net holdings	896	3678	-7818	-4897	-120
L. International reserves net	896	3678	-7818	-4897	-120
1. Changes in assets	1038	3682	-7807	-4912	-236
Gold	0	0	0	0	0
Foreign exchange	1117	4097	-7515	-3942	462
Reserve position in the International Monetary Fund	-20	-446	-380	-697	-306
International payment instruments	-82	7	118	-162	61
Balance of payments aid	23	24	-30	-111	-453
2. Changes in liabilities	-142	-4	-11	15	116
Liabilities vis-à-vis monetary authorities	-134	-5	-3	5	2
Other liabilities	-8	1	-8	11	114
V. Counterpart to valuation changes on international reserves	-2339	-3531	4412	1765	-871
VI. Net errors and omissions	171	-10342	11419	2667	9010

n/a: no data available

Notes

Statistical changes

Tourism	Postal and Telekom services used by tourists during their travels abroad have, in the past, been included in other earnings and expenditures under the general heading travel. Due to the lack of an adequate basis for estimates these services cannot be established anymore. From 1998 onwards, they are therefore no longer shown in the tourism balance.
Bank commissions	The banks' commission income and expenditures, which are part of services, have been compiled and recorded (gross values) in the current account on a quarterly basis since 1998. Until 1997, the banks' commission business with other countries had been estimated and recorded in net terms based on various indicators (stock market turnover, new issues statistics, etc.).
Interest-related operations of the banks	The banks' interest income and expenditures, which are included in other investment income, have been compiled on a quarterly basis since 1998. Until 1997, this item had been estimated based on outstanding claims and liabilities and on assessments of average interest rates.
Transferred direct investment income	The transferred direct investment income has been compiled and recorded (gross values) in the current account on a quarterly basis since 1998. Until 1997, the transferred income had been established and recorded (net values) based on holdings and estimates of the transfer rates. Transferred earnings include interest income and interest expenditure respectively on intra-group lending and dividends accruing to Swiss investors from their foreign affiliated companies and dividends paid to foreign investors by Swiss affiliated companies. Withholding tax that cannot be reclaimed and reorganisation contributions to subsidiaries for covering losses are deducted from dividends.

Current account

Special trade	Exports f.o.b., imports c.i.f., according to the foreign trade statistics of the General Directorate of Customs (total 2) without exports and imports of silver listed under tariff number 7106.9100, gold listed under tariff numbers 7108.1200 and 7108.2000 and coin listed under tariff number 7118. As from 1995, special trade also includes aviation fuel.
Electricity	Exports and imports of electricity without substitution energy.
Other goods trade	Processing of goods for foreign account, processing abroad for domestic account, export and import of returned goods, purchase and sale of Rhine vessels, transportation costs and insurance premiums on imports, unchecked goods trade, small consignments, import of industrial gold and silver, goods procured in ports.
Tourism	Business travel and personal travel, stays at health resorts and hospitals, travel related to studies, same-day travel, transit travel; small volumes in cross-border traffic, duty-free shops, consumption expenditure by cross-border commuters.
Other services	Private insurance, merchanting, transports, postal and courier services, telecommunications, financial services (bank commissions), technological services (construction services, commercial and technical counselling, royalties and license fees incl. management fees), purchases of goods and services by foreign representatives in Switzerland, by Swiss representatives abroad and by international organisations in Switzerland, supporting services provided in connection with air and rail travel, management of domiciliary companies, law offices and fiduciary companies, cultural services, etc.
Labour income	Gross wages and salaries of Swiss cross-border commuters and of residents with foreign employers (international organisations and consular representatives in Switzerland); gross wages and salaries of foreign cross-border commuters incl. employer and employee contributions to social security schemes (i.e. Old Age and Survivors' Insurance, disability insurance, governmental military compensation and unemployment insurance).

Portfolio investment: income on dividend-bearing securities and income on fixed-interest securities; direct investment: transferred and reinvested earnings from direct investment; other investment: income on lending and deposits of banking institutions, earnings from fiduciary investment, income on investment of the Swiss National Bank and the Confederation, and other investment income (financial leasing fees, etc.). Not included are earnings from derivative instruments and interest earnings on loans by nonbanks.

Investment income

Transfers by Swiss emigrants, by foreign insurance schemes, etc. Remittances of immigrant workers, annuities and indemnity payments, pension payments, financial support, foreign aid of private aid agencies, etc.

**Current transfers
by private persons**

Contributions of Swiss nationals abroad and foreign cross-border commuters to social security schemes in Switzerland, state revenue from stamp duty, withholding tax of cross-border commuters and other taxes and fees incl. transportation tax. Social security transfers abroad, Swiss contributions to international organisations and other remittances abroad, tax refunds to cross-border commuters' countries of residence as well as government aid to foreign countries.

**Current transfers
by the public sector**

The data derives from statistics collected by the federal authorities and the Swiss National Bank; some of the figures are estimates.

**Statistical basis
of current account**

Capital transfers

Debt forgiveness and financial assistance grants by the Confederation as well as private capital transfers.

Financial account

Capital import: net foreign direct investment in domestic enterprises (subsidiaries, branch offices, affiliated companies). The financial flows shown represent inflows and outflows of credits, reinvested earnings and financial flows related to equity capital (paid-up capital; the establishment, acquisition or liquidation and sale of subsidiaries and affiliated companies; the provision of capital stock and operating capital to branch offices). Capital export: net direct investment of domestic enterprises in enterprises abroad (subsidiaries, branch offices, affiliated companies). The financial flows shown represent inflows and outflows of credits, reinvested earnings and financial flows in equity capital. Statistical sources are the quarterly and annual surveys carried out by the Swiss National Bank.

Direct investment

Capital import: investment by nonresidents in long-term securities of domestic issuers (bonds, medium-term notes, shares, participation certificates, investment fund certificates). The data represents net inflows, i.e. new investment minus liquidation of investment and redemptions. The statistical basis with respect to the acquisition of domestic securities is data reported by banks on the securities portfolios held by them on behalf of foreign customers. Data on bonds issued by domestic enterprises abroad is derived from the statistics on the foreign borrowings and lendings of enterprises. Data on shares and participation certificates issued abroad by domestic enterprises is derived from the banks lead-managing the issues.

Portfolio investment

Capital export: investment by residents in long-term securities of foreign issuers (shares, bonds, notes). The data represents net inflows, i.e. new investment minus liquidation of investments and redemptions. The statistical basis for securities of foreign issuers held by residents are reports by the banks on the securities portfolios held by them on behalf of domestic customers. The data on portfolio investment of banks and enterprises is derived from statistics on their foreign borrowings and lendings.

Capital import: interbank deposit operations, i.e. long-term and short-term deposits of banks incl. precious metals liabilities and securities lending (delivery commitments); long-term customer deposits as well as deposits in the form of savings and investment, short-term deposits by customers incl. precious metals liabilities and securities lending (delivery commitments). Fiduciary commitments include the inflow of fiduciary funds of non-residents which are invested in Switzerland. The statistical basis is data reported by domestic bank offices on their foreign assets. The transaction figures recorded in the balance of payments represent the net change in the individual positions, i.e. the inflow of new funds minus repayment of outstanding liabilities. The import of precious metals consists of the import of gold and silver as raw materials and of coin according to the trade statistics. The imports shown in the current account are deducted.

Banks

Capital export: interbank claims, i.e. net change in long- and short-term credits to banks, including precious metals claims and securities lending (delivery claims); net change in lendings to customers and mortgage loans, precious metals claims and securities lending (delivery claims). The other claims represent the change in holdings of money market paper. Fiduciary claims represent the outflow of residents' fiduciary funds which are invested abroad. The statistics are based on reports by domestic banks on their foreign liabilities. The export of precious metals represents the export of gold and silver as raw materials and the export of coin according to trade statistics.

Nonbank companies	Capital import: net change in short- and long-term borrowing by private and government enterprises from natural persons, banks and enterprises abroad other than subsidiaries, branch offices and affiliated companies; i.e. only liabilities vis-à-vis third parties abroad are recorded. Capital export: net change in short- and long-term lending by domestic private and government enterprises to natural persons, banks and enterprises abroad other than subsidiaries, branch offices and affiliated companies; i.e. only claims vis-à-vis third parties in other countries are recorded. The statistical basis are reports submitted by the enterprises to the National Bank.
Other private sector	The sale of real estate in Switzerland to persons abroad less the sale of real estate in Switzerland by nonresidents to residents. Actual changes in ownership according to the statistics of the Federal Department of Justice on the sale of real estate to nonresidents are recorded. Other private investment furthermore includes financial flows between nonbanks and banks abroad. Domestic fiduciary funds which, according to the National Bank's estimates, are accounted for by nonresidents and financial flows between banks and international organisations domiciled in Switzerland are entered as adjustment items relating to other investment of banks.
Government	Cross-border financial flows of the Confederation, the cantons and communes and social security organisations other than direct and portfolio investment.

International reserves

International reserves	Changes in gold holdings, foreign exchange holdings, the reserve position in the International Monetary Fund (IMF) (as from 1992), international payment instruments (SDR, ECU), other claims (bilateral credits) and the change in the National Bank's liabilities.
Counterpart to valuation changes	Book changes in terms of value (profits and losses) on the holdings of the National Bank's international reserves.

Residual item

Non-recorded transactions and statistical errors, net	Differential between total earnings in the current account and capital imports in the financial account, on the one hand, and total expenditures in the current account and capital exports in the financial account, on the other hand. This differential arises from omissions and errors in the statistical surveys. In principle, all balance of payments components can contribute to this residual item. A positive residual item points to non-recorded current earnings and capital imports respectively, negative residual items to non-recorded current expenditure and capital exports respectively.
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Legal basis

Legal basis of the balance of payments statistics	According to the Federal Statistical Act of October 1992 and the Ordinance on the conduct of federal statistical surveys of June 1993, the Swiss National Bank is authorised to collect statistics on a quarterly basis for the balance of payments on current account and the capital account. In the case of the current account, legal entities are obliged to supply information if the transaction value of a reporting item exceeds Sfr 100,000 per quarter. In the case of the capital account, natural persons and legal entities are obliged to supply information if the transaction value of a reporting item exceeds Sfr 1 million per quarter.
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