Direct Investment
2018

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1 Summary of direct investment in 2018

SWISS DIRECT INVESTMENT ABROAD

In 2018, companies domiciled in Switzerland invested CHF 61 billion abroad (2017: CHF 30 billion). About three-quarters of the direct investment originated from companies in the services sector (CHF 47 billion). Financial exposure abroad saw particularly large increases in the trade sector (CHF 32 billion) and among finance and holding companies (CHF 13 billion). Participations were a major focus of these investments. Manufacturing companies invested CHF 13 billion abroad, these investments taking the form of intragroup loans and reinvested earnings. Within manufacturing, companies in the chemicals and plastics category accounted for the most significant share of foreign investments (CHF 13 billion).

The bulk of the investments went to Europe (CHF 64 billion), notably to the two holding company locations of Ireland and Luxembourg as well as to the UK. Companies domiciled in Switzerland also undertook major investments in Central and South America (CHF 18 billion) and Asia (CHF 5 billion). By contrast, Swiss-domiciled companies made net withdrawals of funds from their subsidiaries in the US (CHF 12 billion) and Australia (CHF 8 billion).

Stocks of direct investment abroad totalled CHF 1,467 billion. Of this total, CHF 1,312 billion was equity capital (89%) and CHF 154 billion (11%) was intragroup loans. At CHF 622 billion (42%), finance and holding companies reported by far the largest stocks of capital abroad, followed by the chemicals and plastics category at CHF 187 billion (13%).

Income from direct investment abroad rose by CHF 6 billion to CHF 104 billion. Subsidiaries of manufacturing companies – especially those in the 'other manufacturing and construction' and 'electronics, energy, optical and watchmaking' categories – received substantially more investment income than in the previous year. On the other hand, investment income in the services sector was slightly lower than in the previous year. Subsidiaries of finance and holding companies in particular reported lower investment income. The subsidiaries of banks and insurance companies were the only category in the services sector to earn more investment income than in the previous year.

FOREIGN DIRECT INVESTMENT IN SWITZERLAND

On balance, investors abroad effected a net withdrawal of funds from Switzerland in 2018. This was the first such reduction in capital since 2005. The withdrawal amounted to CHF 52 billion (2017: net investment of CHF 106 billion). As in 2005, the reason was a tax reform in the United States: US parent companies made use of the Tax Cuts and Jobs Act to repatriate part of their equity reserves from subsidiaries in Switzerland. This was true in particular of finance and holding companies, which withdrew funds of CHF 32 billion. The various categories in the manufacturing sector as well as the majority of service-sector categories also saw net withdrawals. Some of these withdrawals, too, were linked to the US tax reform.

Stocks of foreign direct investment in Switzerland amounted to CHF 1,296 billion. Of this total, CHF 1,231 billion (95%) was equity capital and CHF 65 billion (5%) was intragroup loans. A breakdown by immediate investor shows that 84% of the capital stocks originated from investors in the EU and 6% from investors in the US. However, this breakdown does not fully convey the countries of origin of the ultimate beneficial owners in control of companies in Switzerland. This is because foreign direct investment stocks in Switzerland are largely held via intermediate companies controlled by groups headquartered in a third country. The SNB therefore publishes an alternative breakdown of capital stocks by country of origin of the ultimate beneficial owner. This breakdown shows that investors from the US and the EU controlled 43% and 34% of the capital stocks respectively.

Investment income from foreign direct investment in Switzerland rose by CHF 6 billion to CHF 103 billion. This was attributable to higher earnings at finance and holding companies. By contrast, most of the other categories saw investment income stagnate or even decline.

OPERATIONAL DATA ON SWISS SUBSIDIARIES ABROAD AND THEIR PARENT COMPANIES IN SWITZERLAND

The Swiss-controlled companies surveyed by the SNB employed a total of 2,145,000 people at their subsidiaries abroad, of whom 968,000 (45%) were working in Europe and 543,000 (25%) in Asia. The number of people employed rose by 67,000 or 3% compared with the previous year. The 41,000 increase in Europe (up 4%) was slightly above-average. Swiss parent companies with participations abroad are also significant employers in their home country. The corporate groups surveyed by the SNB employed a total of 551,000 people in Switzerland.

AVAILABILITY AND REVISION OF DATA

Comprehensive tables on direct investment and operational data for multinational companies are available on the SNB's data portal (data.snb.ch) under 'Table selection, International economic affairs'. The data can be accessed there in the form of charts and configurable tables. Information on methods used in direct investment statistics is also available under 'International economic affairs, Notes'.

The *Direct Investment* 2018 report also provides additional data on individual countries. For example, the breakdown of foreign direct investment in Switzerland by ultimate beneficial owner now also includes data on China, Ireland and Russia.

As in the past, publication of the *Direct Investment* 2018 report goes hand-in-hand with the revision of the preceding years' (2015–2017) figures. In 2016 and 2017, these revisions resulted in significantly higher figures for transactions in – and stocks of – equity capital in both investment directions, and especially for finance and holding companies. The main reason for this was the information newly available from companies that the SNB surveyed for the first time.

Since 2018, staff numbers at parent companies in Switzerland have been published by the Federal Statistical Office (SFSO) as part of their enterprise groups statistics (STAGRE). These data had previously been published by the SNB. The corresponding time series for the period 2004–2017 remain available on the SNB's data portal but are no longer being updated. Staff numbers at the parent companies in Switzerland that are surveyed by the SNB will continue to be published.

Table 1

DIRECT INVESTMENT 2018: OVERVIEW

		2017	2018
Swiss direct investment abroad			
Capital transactions	in CHF billions	30.1	60.6
Capital stocks	in CHF billions	1 398.6	1 466.5
Investment income	in CHF billions	98.3	103.8
Foreign direct investment in Switzerland			
Capital transactions	in CHF billions	105.6	–52.0
Capital stocks	in CHF billions	1 281.3	1 295.9
Investment income	in CHF billions	97.2	102.7
Operational data on Swiss subsidiaries abroad and their parent companies in Switzerland[1]			
Number of staff at Swiss subsidiaries abroad	in thousands	2 078.3	2 145.3
Staff numbers at parent companies in Switzerland	in thousands	543.1	551.2

1 Only includes companies covered by the direct investment survey.

Source: SNB

2
Swiss direct investment abroad

CAPITAL TRANSACTIONS

In 2018, companies domiciled in Switzerland invested CHF 61 billion abroad. They reinvested earnings of CHF 29 billion and expanded their equity capital by CHF 16 billion. Swiss companies granted intragroup loans totalling an additional CHF 16 billion to their subsidiaries abroad.

Manufacturing companies invested CHF 13 billion, these investments taking the form of intragroup loans and reinvested earnings. The largest investments came from companies in the chemicals and plastics category (CHF 13 billion), followed by metals and machinery (CHF 5 billion). By contrast, the electronics, energy, optical and watchmaking category underwent disinvestment: in this category, subsidiaries abroad were sold (disinvestment of CHF 9 billion).

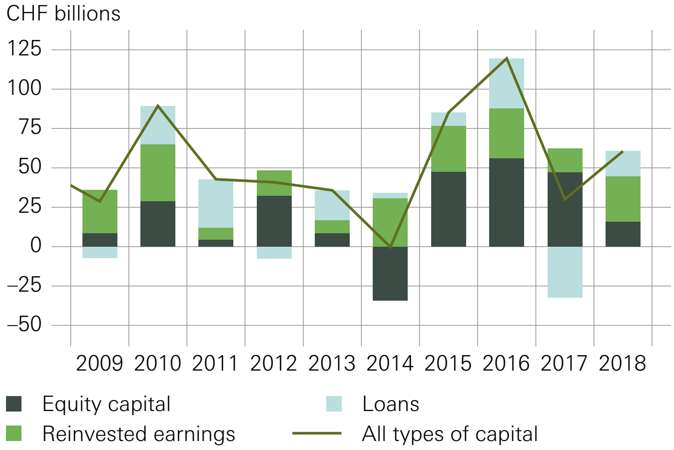
Investment by the services sector came to CHF 47 billion, the bulk of these funds being invested in the equity capital of subsidiaries abroad (CHF 31 billion). Companies in the trade category made the biggest investments (CHF 32 billion), notably in the form of acquisitions. Finance and holding companies invested CHF 13 billion. These investments were effected mainly by Swiss-controlled finance and holding companies. In contrast to the previous year, the foreign-controlled finance and holding companies did not have any significant influence on Swiss direct investment abroad (disinvestment of CHF 3 billion).

Swiss companies invested CHF 64 billion in Europe. The holding company locations Ireland and Luxembourg received investments totalling CHF 18 billion and CHF 15 billion respectively. In those countries, investments mainly took the form of capital increases at existing subsidiaries. In addition, Swiss companies invested CHF 12 billion in the UK and CHF 9 billion in France. They acquired substantial participations in both countries. Investments in Germany (CHF 11 billion) were to a large extent accounted for by intragroup loans. The same applies to the disinvestment in the Netherlands and Belgium (CHF 3 billion each).

Chart 1

DIRECT INVESTMENT ABROAD

Capital transactions by type of capital

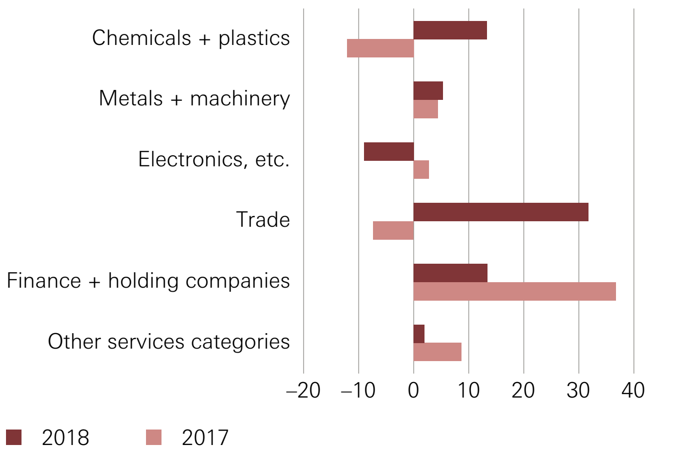


Source: SNB

Chart 2

DIRECT INVESTMENT ABROAD

Capital transactions by economic activity, in CHF billions



Source: SNB

Swiss companies invested CHF 18 billion in subsidiaries in Central and South America. It was therefore the first year since 2013 in which investment exceeded disinvestment in this region. This can be ascribed to developments in the region's offshore financial centres: following large outflows in the preceding years, these centres were again among the recipients of direct investments (CHF 8 billion). Relatively large direct investments also flowed into Chile (CHF 4 billion) and Colombia (CHF 3 billion), in both cases mainly in the form of intragroup loans. Investments in Asia amounted to CHF 5 billion. A total of CHF 3 billion in direct investments went to China and CHF 2 billion each to Japan and Indonesia.

Swiss-domiciled companies withdrew substantial funds from the United States (CHF 12 billion). In part, these withdrawals were connected with the US tax reform (Tax Cuts and Jobs Act): in this way, US-controlled subsidiaries were able to procure liquidity which they subsequently paid out to parent companies abroad.[1] Swiss companies also effected disinvestments in Australia (CHF 8 billion) and Canada (CHF 6 billion). In the case of Canada, these disinvestments related mainly to intragroup loans, while in Australia they involved the transfer of business activities to other countries.

1 Cf. section on tax reform in the United States.

CAPITAL STOCKS

Stocks of direct investment abroad amounted to CHF 1,467 billion – a year-on-year rise of CHF 68 billion, or 5%. The increase was mainly due to capital transactions. Capital stocks of direct investment comprise equity capital and loans. Equity capital amounted to CHF 1,312 billion (89%) and loans to CHF 154 billion (11%). A net approach is adopted in the case of loans, with lending to subsidiaries and fellow companies abroad of CHF 386 billion (assets) offset against loans taken out at subsidiaries and fellow companies abroad totalling CHF 232 billion (liabilities).[2]

By comparison with other countries, Switzerland maintains high levels of direct investment abroad. Measured in capital stocks, it is one of the world's ten largest direct investors (source: IMF, data.imf.org/CDIS). Reasons for this include the fact that numerous large multinationals are headquartered in the country and that Switzerland is attractive as a location for foreign-controlled holding companies.

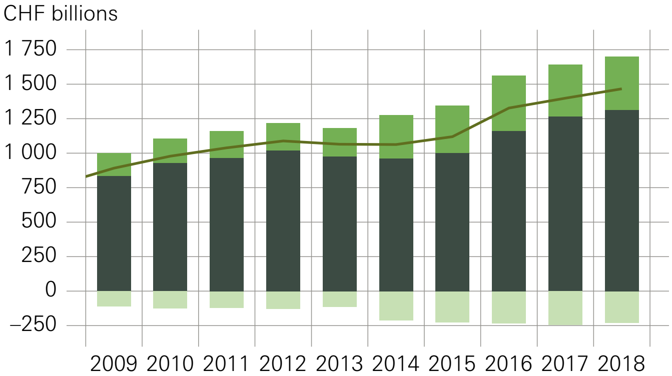
Capital stocks of direct investment increased by 5% in both the manufacturing and the services sectors. In manufacturing this reflected a CHF 21 billion rise to CHF 443 billion while the services sector saw a CHF 48 billion increase to CHF 1,024 billion. The capital stocks controlled by finance and holding companies underwent the biggest rise within the services sector (up by CHF 28 billion to CHF 622 billion). By contrast, banks and insurance companies reduced their capital stocks of direct investment further: these fell by CHF 7 billion to CHF 182 billion.

Chart 4 shows the movements in capital stocks since 1985. In the mid-1980s, the manufacturing sector still accounted for over 70%. This proportion receded steadily until the beginning of the 2000s, before levelling out and remaining fairly constant ever since (2018: 30%). There was a corresponding development in the services sector, albeit in the opposite direction. Here, finance and holding companies in particular recorded a steep increase between 1985 and 2010, with their share in direct investment stocks rising from 12% to 40%. Since then, this proportion has remained fairly stable (2018: 42%). A different development was registered by the banks and insurance companies category. Their share in capital stocks made up 12% in the year under review, similar to the level recorded 30 years before. In the interim, however, the share of banks and insurance companies in overall direct investment abroad was substantially higher (2001: 37%).

Chart 3

DIRECT INVESTMENT ABROAD

Capital stocks by type of capital



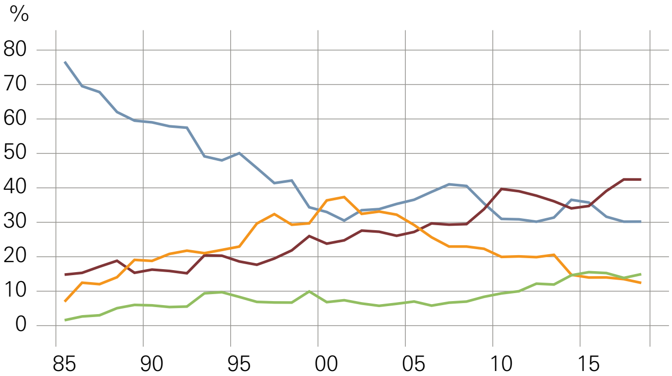
Equity capital — Loans, assets — Loans, liabilities — All types of capital

Source: SNB

Chart 4

DIRECT INVESTMENT ABROAD

Capital stocks by economic activity (in %)



Manufacturing — Finance and holding companies — Banks and insurance companies — Other services

Source: SNB

2 Loans to/from fellow companies abroad are included if the group headquarters is located in Switzerland.

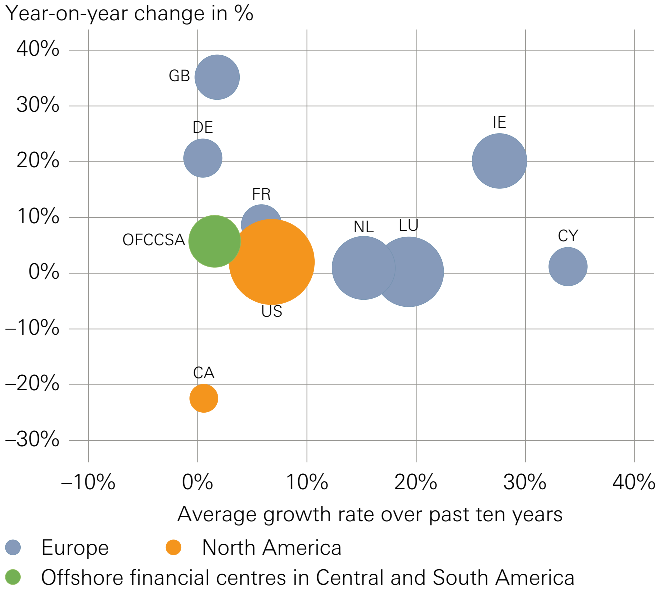
Chart 5 shows the most significant target locations for Swiss direct investment in terms of capital stocks as at the end of 2018 (the area of the circles is proportionate to the size of the capital stocks). The x-axis reflects the average growth rate of capital stocks for the period from 2008 to 2018, while the y-axis shows the year-on-year change in percent against 2017. As can be seen, growth in capital stocks in the past ten years took place to a large extent in the European holding company locations of the Netherlands, Luxembourg and Ireland, as well as in Cyprus (not shown separately up to now). The relative importance of these four holding company locations grew accordingly: between 2008 and 2018, their share in total Swiss direct investment advanced from 9% to 36%. In absolute terms, this was an increase of CHF 71 billion to CHF 524 billion. One of these holding company locations – Ireland – exhibited strong growth again in the year under review. Across Europe, capital stocks also increased outside of the holding company locations, notably in the UK and Germany. In total, capital stocks of direct investment in Europe rose by CHF 62 billion to CHF 870 billion year-on-year. Thus Europe accounted for 59% of total capital stocks.

Outside Europe, capital stocks of Swiss direct investment saw the biggest rise in Central and South America (up by CHF 13 billion to CHF 140 billion), owing primarily to investments in the offshore financial centres located there. Capital stocks also rose in the United States (up CHF 6 billion to CHF 286 billion). Although investors withdrew capital from the US on balance, they simultaneously increased the book value of their participations. The latter effect predominated. In Asia, capital stocks rose by CHF 4 billion to CHF 121 billion. The only region to see a significant decrease was Oceania, where capital stocks of Swiss direct investment dropped by more than half from the previous year (down CHF 8 billion to CHF 7 billion). This was due mainly to disinvestments connected with the transfer of business activities to other countries.

Chart 5

DIRECT INVESTMENT ABROAD

Capital stocks of top ten investment locations (2018)



Source: SNB

INVESTMENT INCOME

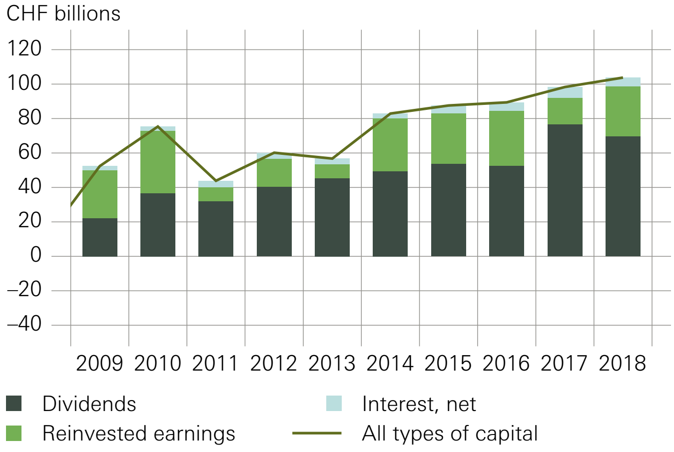
Income from direct investment abroad rose steadily in the last five years to reach CHF 104 billion in the year under review. Compared to the previous year, the increase came to 6% (up CHF 6 billion). Of this income, CHF 75 billion was accounted for by dividends and net interest (transferred earnings) while CHF 29 billion was reinvested at subsidiaries abroad. Dividends and net interest made up 72% of the income – approximately the same as the long-term average.

Investment income from subsidiaries in manufacturing rose substantially, increasing by CHF 9 billion to CHF 46 billion. The growth can be ascribed in particular to the 'other manufacturing and construction' and 'electronics, energy, optical and watchmaking' categories, where investment income had remained largely flat over the past years. In contrast to the manufacturing sector, investment income from services declined (down by CHF 3 billion to CHF 58 billion). This was mainly due to a decrease in earnings at the subsidiaries of finance and holding companies. Within the services sector, only banks and insurance companies posted higher investment income.

Chart 6

DIRECT INVESTMENT ABROAD

Investment income by type of capital

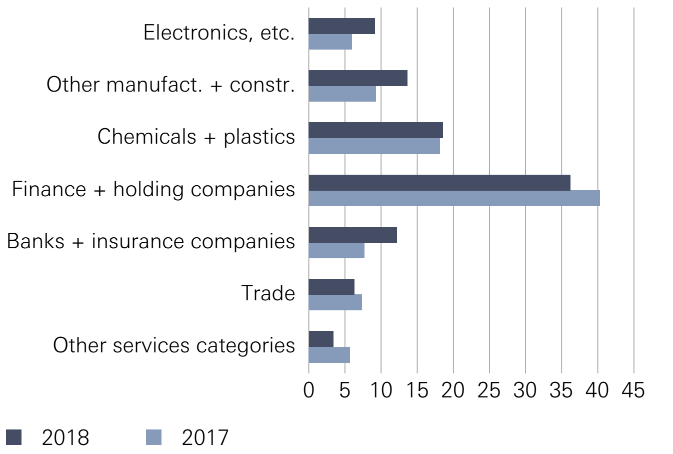


Source: SNB

Chart 7

DIRECT INVESTMENT ABROAD

Investment income by economic activity, in CHF billions



Source: SNB

3
Foreign direct investment in Switzerland

TAX REFORM IN THE UNITED STATES (TAX CUTS AND JOBS ACT)

Foreign direct investment in Switzerland was strongly influenced in 2018 by the tax reform in the United States (Tax Cuts and Jobs Act). Under the previous tax regime, repatriations of earnings from foreign subsidiaries were subject to relatively high tax rates in the US. For US corporate groups, therefore, there was an incentive not to pay dividends but to retain profits earned abroad at the subsidiaries in question. The tax reform lessened this incentive. US corporations immediately altered their stance and implemented exceptionally large repatriations of earnings from subsidiaries abroad in the year under review. Featuring prominently among these subsidiaries were a number of finance and holding companies domiciled in Switzerland.

The US tax reform had an asymmetric effect on the Swiss direct investment statistics: it was mainly foreign direct investment in Switzerland that was affected, whereas Swiss direct investment abroad was not greatly impacted. As a result of the tax reform, US-controlled companies domiciled in Switzerland cut back their balance sheets. On the liabilities side, these cutbacks entailed a reduction in equity, which – in terms of foreign direct investment in Switzerland – manifested itself as a withdrawal of equity capital. This did not directly affect investment income: according to the methodology applied to direct investment, such extraordinary payouts do not count as dividends. To finance the payouts, the Swiss-based companies worked down their assets abroad. The asset reductions mostly affected short-term intragroup loans, however, which in the case of finance and holding companies do not count as direct investment. Accordingly, this decrease in assets was not reflected in Swiss direct investment abroad either.[1]

1 Regarding the correlation between assets/liabilities and the directional principle applied to direct investment statistics, see the 'special topic' in the *Direct Investment* 2013 report, pp. 25 et seq.

CAPITAL TRANSACTIONS

In 2018, investors abroad withdrew considerably more funds from companies in Switzerland than they invested there. The net withdrawal amounted to CHF 52 billion (2017: net investment of CHF 106 billion). This was the first such net withdrawal since 2005. In that year – as again now – the disinvestment was due mainly to a tax reform in the United States. The impact in 2018 was much greater, however: withdrawals of equity capital totalled some CHF 92 billion. A further CHF 6 billion was withdrawn through intragroup loans. These withdrawals were mitigated by the fact that investors abroad reinvested a substantial portion of the income earned by subsidiaries in Switzerland (CHF 46 billion).

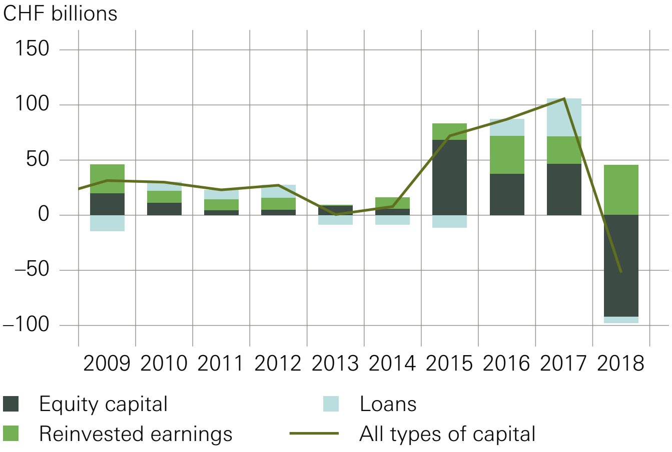
Withdrawals from the services sector totalled CHF 28 billion. The biggest withdrawals (CHF 32 billion) were in the finance and holding companies category. Many of the direct investments in this category are 'pass-through capital', which is highly mobile and can thus be easily repatriated.[2] A large part of these withdrawals, too, were linked to the US tax reform. However, investors abroad also withdrew capital from companies in the 'other services' category (CHF 9 billion). In this category, the withdrawals were due to corporate restructuring. Only two categories were able to post a net increase in investments in the year under review: trade (CHF 15 billion), and transportation and communications (CHF 1 billion).

Foreign investors withdrew CHF 24 billion from companies in the manufacturing sector. All categories within the sector experienced disinvestments. CHF 20 billion was withdrawn in the electronics, energy, optical and watchmaking category, due primarily to the US tax reform. In the other categories within the manufacturing sector, cumulative withdrawals came to CHF 4 billion.

Chart 8

DIRECT INVESTMENT IN SWITZERLAND

Capital transactions by type of capital

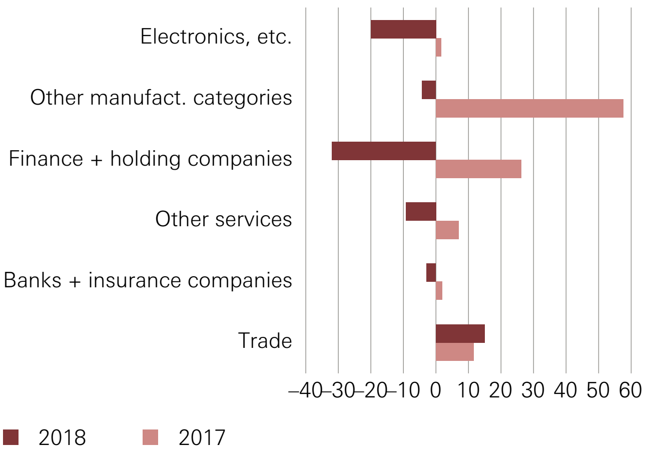


Source: SNB

Chart 9

DIRECT INVESTMENT IN SWITZERLAND

Capital transactions by economic activity, in CHF billions



Source: SNB

2 Cf. *Direct Investment* 2016 report, special topic: Pass-through capital in Switzerland's direct investment statistics, pp. 21 et seq.

Investors from the United States withdrew CHF 37 billion from subsidiaries in Switzerland, mainly as a result of the US tax reform. However, the US tax reform also had repercussions on investments from other locations. The reason is that US corporations often invest in Switzerland via intermediate companies in third countries, and it is through these companies that funds are repatriated. This was particularly apparent in the case of investors from the offshore financial centres of Central and South America who, in this context, withdrew CHF 48 billion from subsidiaries in Switzerland.

Other major transactions resulted from corporate restructuring. This applied in particular with regard to locations in Europe: investors from the holding company locations Netherlands and Luxembourg withdrew substantial funds from subsidiaries in Switzerland (CHF 41 billion and CHF 21 billion respectively). On the other hand, companies in Switzerland received substantial capital inflows from the UK (CHF 39 billion) and Ireland (CHF 22 billion). In all of these cases, the transactions were significantly influenced by the fact that subsidiaries within Switzerland underwent a change of ownership within their corporate groups, with the new owners being located in another country. In addition, a number of investments originated from companies in the 'Other European countries' (CHF 27 billion) as well as those in Austria (CHF 11 billion) and France (CHF 10 billion). While the incoming funds from 'Other European countries' emanated primarily from intragroup loans, investors from France acquired Swiss participations. The investments from Austria mainly comprised reinvested earnings.

CAPITAL STOCKS

Stocks of foreign direct investment in Switzerland totalled CHF 1,296 billion, a year-on-year rise of CHF 15 billion, or 1%. Two effects in particular contributed to this growth: on the one hand, investors abroad made substantial upward adjustments to the book value of participations within Switzerland. On the other, the SNB closed a gap in the statistics and included additional finance and holding companies which it had not previously interviewed with regard to their direct investment. The increase was mitigated by withdrawals relating to capital transactions.

Capital stocks of direct investment comprise equity capital (CHF 1,231 billion; 95%) and loans (CHF 65 billion; 5%). A net approach is adopted in the case of loans, with lending by parent and fellow companies abroad totalling CHF 268 billion (liabilities) being offset against loans granted to parent and fellow companies abroad totalling CHF 202 billion (assets).[3]

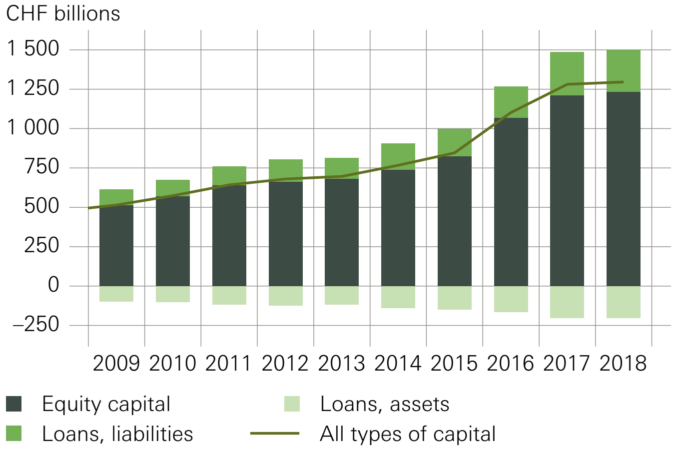
Capital stocks of foreign direct investment in manufacturing increased by CHF 9 billion, or 5%, to CHF 183 billion. This was primarily attributable to the electronics, energy, optical and watchmaking category, whose capital stocks rose by CHF 11 billion to CHF 57 billion. Here, the revaluation of participations in Switzerland more than offset the withdrawals of funds. Capital stocks in the services sector exhibited a CHF 5 billion increase to CHF 1,113 billion. Trade was the only category within this sector in which capital stocks rose significantly (up by CHF 19 billion to CHF 208 billion).

Chart 11 shows the movements in capital stocks since 1985. The proportion of foreign direct investment attributable to the manufacturing sector has consistently ranged between 10% and 20% (2018: 14%). Conversely, the proportion accounted for by the services sector has been relatively constant overall (2018: 86%), albeit with marked shifts within the sector itself. While finance and holding companies accounted for around 30% of capital stocks of foreign direct investment in the mid-1980s, this figure had risen to 58% by 2010 and to 60% by 2018. This contrasts with direct investment in banks and insurance companies. At the beginning of the 1990s, these companies' share in foreign direct investment stood at around 30%. This figure then declined almost continuously and accounted for only about 4% in the year under review.

Chart 10

DIRECT INVESTMENT IN SWITZERLAND

Capital stocks by type of capital

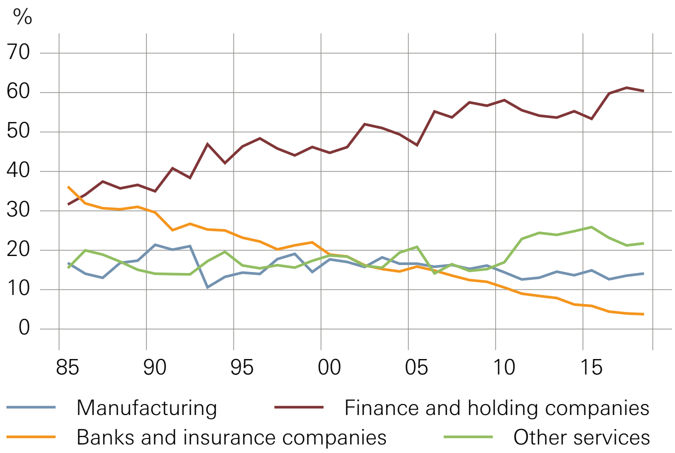


Source: SNB

Chart 11

DIRECT INVESTMENT IN SWITZERLAND

Capital stocks by economic activity (in %)



Source: SNB

3 Loans to fellow companies abroad are included if the group headquarters is located abroad.

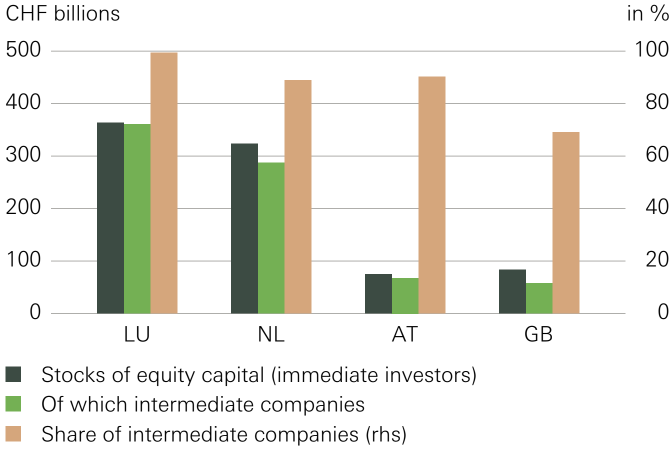
The SNB publishes two breakdowns by country of domestic capital stocks, one by country of origin of the immediate investor, and the other by country of origin of the ultimate beneficial owner. Broken down according to country of immediate investor, a large proportion of domestic capital stocks are held by EU-domiciled investors. This portion amounted to CHF 1,088 billion, or 84% of foreign capital stocks in Switzerland. CHF 851 billion of the above figure was attributable once again to investors in European holding company locations – the Netherlands, Luxembourg, Austria and Ireland. Investment from holding company locations is mainly carried out by intermediate companies, which in turn are controlled by companies in a third country. Of the direct investment effected by the Netherlands, 82% of the equity capital was held by Swiss subsidiaries through such intermediate companies. For Luxembourg, the figure was as high as 99% (cf. chart 12). Taking all countries together, the share of equity capital held via intermediate companies was 75% in 2018, up from 36% in 2008.

Because of the large proportion accounted for by intermediate companies, the SNB also provides a breakdown of capital stocks by country of origin of the ultimate beneficial owner. The US, in particular, had significantly higher capital stocks (CHF 563 billion) when viewed from this angle than when assessed according to immediate investor (cf. chart 13). This shows that US investors mainly invested in companies in Switzerland via third countries. The same applies to investors from Asia and 'Other European countries'. The breakdown by ultimate beneficial owner clearly illustrates the effects of the US tax reform. Thus the stock of direct investment in Switzerland ultimately controlled by US investors declined year-on-year by CHF 47 billion to CHF 563 billion.

Chart 12

DIRECT INVESTMENT IN SWITZERLAND

Main countries of domicile of intermediate companies

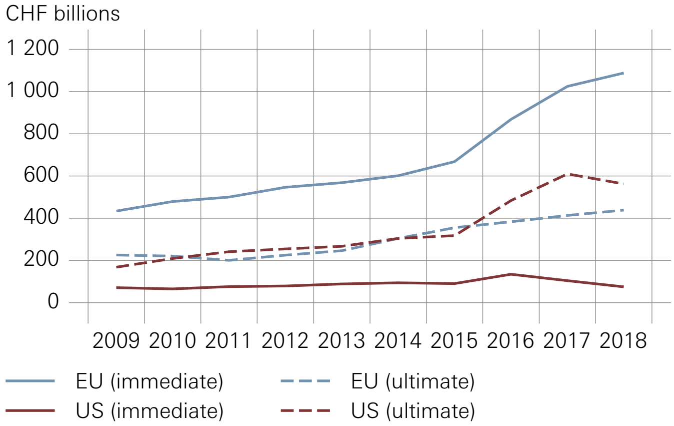


Source: SNB

Chart 13

DIRECT INVESTMENT IN SWITZERLAND

Capital stocks by country of immediate investor and ultimate beneficial owner



Source: SNB

Holding company locations generally exhibit lower capital stocks when assessed according to ultimate beneficial owner rather than according to immediate investor. Thus, capital stocks ultimately controlled by Luxembourg investors amounted to CHF 20 billion, i.e. only a fraction of the figure arrived at when assessed by immediate investor (CHF 380 billion). For the Netherlands and Austria, the corresponding figures were CHF 55 billion compared to CHF 342 billion, and CHF 10 billion compared to CHF 76 billion, respectively. Ireland was the only holding company location in which the capital stocks ultimately controlled by investors (CHF 161 billion) were higher than those of the immediate investors (CHF 52 billion). The reason is that Ireland is not just a location for holding companies but also the domicile of numerous corporate head offices.

Switzerland, too, figures as a country of origin of the ultimate beneficial owner. This means that direct investors from Switzerland also invest in companies in Switzerland via intermediate companies in third countries. With this practice, referred to as 'round tripping', capital originating in a country is reinvested back into that country in the form of foreign direct investment. In 2018, the capital stocks invested in this way amounted to CHF 56 billion (2017: CHF 47 billion).

DIRECT INVESTMENT BY IRELAND, RUSSIA AND CHINA

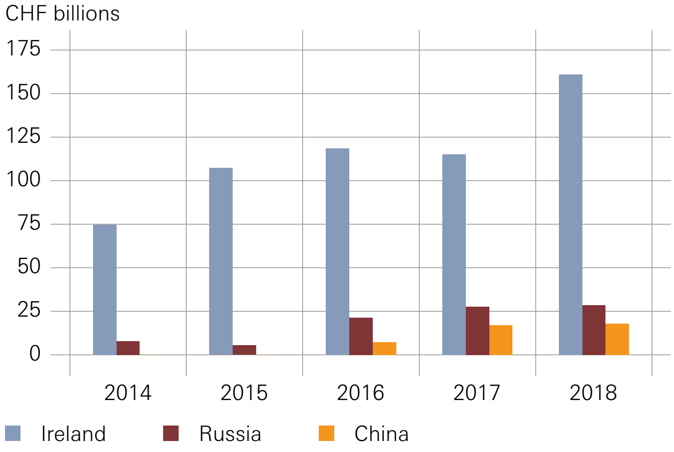
In its 2018 report on direct investment, the SNB is publishing additional country-specific information broken down according to immediate investor and ultimate beneficial owner. With the breakdown according to ultimate beneficial owner in particular, publication of the figures for Ireland, Russia and China closes a significant gap. Chart 14 shows that these three countries became important direct investors in Switzerland between 2014 and 2018. Whereas in 2014 capital stocks ultimately controlled by Russian investors amounted to CHF 8 billion, by 2018 this figure had risen to CHF 29 billion, putting Russia among the ten largest direct investors in Switzerland. Direct investment by China is of a rather more recent date. As recently as 2015, the capital stocks of direct investment in Switzerland controlled by China were still relatively insignificant.[4] Between 2016 and 2018, however, Chinese investors realised a series of major acquisitions. As a result, the capital stocks controlled by China increased from CHF 7 billion to CHF 18 billion.

The major importance of Irish direct investment is probably less well known to the general public. Up to 2007, direct investments in Switzerland ultimately controlled by investors based in Ireland were only modest in size.[5] However, over the past few years, a number of US corporations have relocated their head offices to Ireland, resulting in a sharp rise in Irish direct investment in Switzerland. The capital stocks controlled by Ireland amounted to CHF 161 billion in 2018, making Ireland the second-largest investor in Switzerland after the US.

Chart 14

DIRECT INVESTMENT IN SWITZERLAND

Capital stocks (ultimate) of Ireland, Russia and China



Source: SNB

4 Published figures for China are only available as of 2016.
5 Published figures for Ireland are only available as of 2014.

Table 2

CAPITAL STOCKS FOR 2018: BREAKDOWN BY COUNTRY OF IMMEDIATE INVESTOR AND ULTIMATE BENEFICIAL OWNER

	Breakdown by immediate investor		Breakdown by ultimate beneficial owner		Difference
	In CHF billions	Share in %	In CHF billions	Share in %	In CHF billions
Europe	**1 147.5**	**89%**	**569.5**	**44%**	**–577.9**
EU	**1 088.0**	**84%**	**438.4**	**34%**	**–649.6**
Other European countries	**59.5**	**5%**	**131.1**	**10%**	**71.6**
Selected countries					
Germany	20.4	2%	40.1	3%	19.6
France	44.9	3%	48.7	4%	3.8
Ireland	52.0	4%	161.1	12%	109.1
Luxembourg	380.3	29%	19.7	2%	–360.7
Netherlands	342.4	26%	55.4	4%	–287.0
Austria	76.0	6%	10.2	1%	–65.7
Switzerland	.	.	56.4	4%	56.4
United Kingdom	80.2	6%	65.9	5%	–14.3
North America	**80.0**	**6%**	**592.6**	**46%**	**512.5**
Of which United States	74.9	6%	562.5	43%	487.6
Central and South America	**52.0**	**4%**	**78.1**	**6%**	**26.2**
Asia, Africa, Oceania	**16.5**	**1%**	**55.7**	**4%**	**39.3**
All countries	**1 295.9**	**100%**	**1 295.9**	**100%**	**0.0**

· Not applicable.

Source: SNB

INVESTMENT INCOME

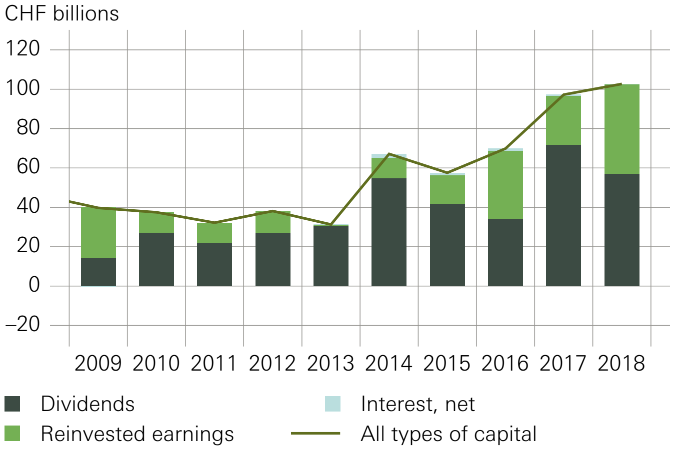
Investment income from foreign direct investment in Switzerland rose by CHF 6 billion to CHF 103 billion (up 6%). Despite the increase in investment income, Swiss subsidiaries paid out lower dividends than in the previous year (down CHF 15 billion to CHF 57 billion). The share of earnings transferred abroad thus declined from 74% to 56%. On the other hand, investors significantly increased the earnings reinvested in Switzerland (up by CHF 21 billion to CHF 46 billion).

Investment income from subsidiaries in the services sector rose by CHF 7 billion to CHF 88 billion. This increase was mainly attributable to the finance and holding companies, which reported a strong rise in investment income (up CHF 17 billion to CHF 60 billion). By contrast, the remaining categories in the services sector saw investment income stagnate or even decline. The picture was similar in manufacturing, with all categories apart from chemicals and plastics reporting a decrease. Overall, investment income in the manufacturing sector fell by CHF 1 billion to CHF 15 billion.

Chart 15

DIRECT INVESTMENT IN SWITZERLAND

Investment income by type of capital

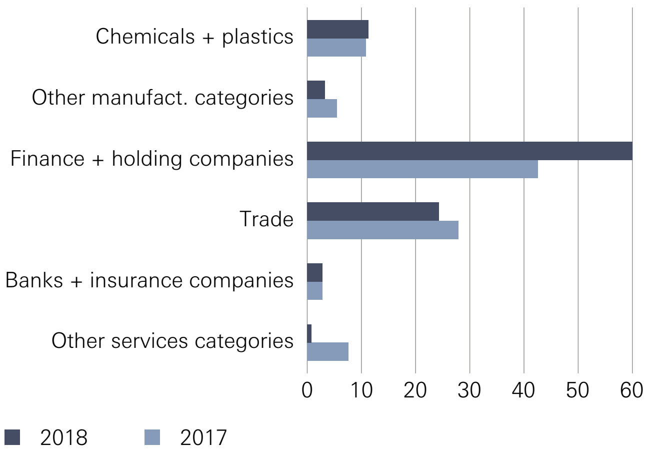


Source: SNB

Chart 16

DIRECT INVESTMENT IN SWITZERLAND

Investment income by economic activity, in CHF billions



Source: SNB

4 Operational data on Swiss subsidiaries abroad and their parent companies in Switzerland

NUMBER OF STAFF AT SWISS SUBSIDIARIES ABROAD

The number of staff employed by Swiss-controlled companies at their subsidiaries abroad totalled 2,145,000.[1] At 1,381,000, almost two-thirds of these people were accounted for by manufacturing, while the services sector reported 764,000 employees. This equates to a year-on-year increase of 34,000 in manufacturing and 33,000 in the services sector.

The 'other manufacturing and construction' category had by far the most employees, although at 478,000 this figure was 18,000 lower than in the previous year. The 4% decrease was due to large companies selling off participations abroad. Most of the remaining categories in the manufacturing sector reported an increase in the number of employees outside Switzerland. Employment in foreign companies rose by 22,000 to 328,000 in the metals and machinery category, primarily driven by acquisitions. It increased by 19,000 to 254,000 in the electronics, energy, optical and watchmaking category, and by 12,000 to 295,000 in the chemicals and plastics category. Foreign employment in the textile industry remained at the previous year's level (27,000).

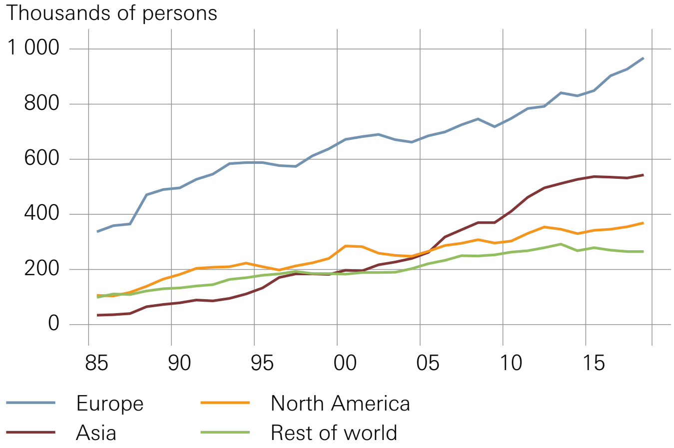
All service-sector categories reported slightly higher staff numbers. The trade category expanded its lead, recording a total of 185,000 employees (an increase of 6,000). This rise was partly attributable to the inclusion of companies surveyed for the first time. The 'other services' category had 156,000 employees (up 5,000), while the finance and holding companies category employed 118,000 people (up 3,000). Staff numbers at subsidiaries of companies in the transportation and communications category came to 112,000 and those in insurance companies totalled 105,000 (a rise of 6,000 in both cases). The Swiss banks employed 87,000 people abroad (up 5,000).

At 968,000 people in total, 45% of the staff of Swiss-controlled corporate groups worldwide were employed in Europe. This region also reported the biggest year-on-year rise (up 41,000). In Asia, Swiss corporate groups employed 543,000 people (up 11,000), which accounted for 25% of total foreign employment. Asia reported particularly strong growth between 2005 and 2015, but has since been below average (see chart 17). In North America,

Chart 17

STAFF NUMBERS ABROAD

Regional breakdown



Source: SNB

1 Only in companies which are covered in the direct investment survey. The foreign employment numbers of Swiss companies not covered by the survey are unknown.

Swiss-controlled groups had 369,000 employees (an increase of 14,000), or 17% of the total figure. The rest of the world came to 265,000 (12% of the total), the same as in 2017.

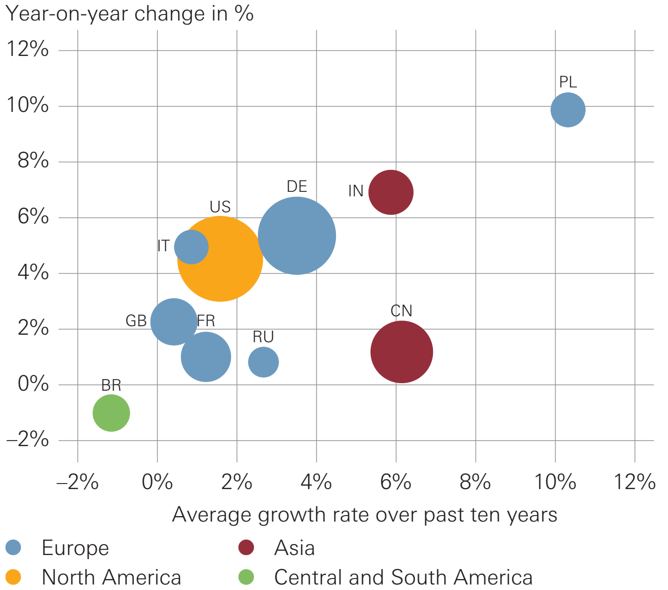
Chart 18 shows the top ten locations of Swiss-controlled companies according to the number of employees abroad. The areas of the circles are proportionate to staff numbers. The x-axis reflects the average growth rate of staff numbers for the period from 2008 to 2018, while the y-axis shows the year-on-year change in percent between 2017 and 2018. The chart shows that six of the top ten locations for foreign employment were in Europe. Germany was the most significant of all with 276,000 employees (up 14,000). It was also one of the fastest-growing destinations on the continent from 2008 to 2018. In the year under review, however, almost a third of the increase in Germany was due to companies included in the statistics for the first time. In addition to Germany, the most important locations in Europe were France with 113,000 employees and the UK with 100,000 employees. The dynamic growth in foreign employees of Swiss groups in Poland is also conspicuous. This location grew by an average of over 10% per year between 2008 and 2018. Swiss parent companies now employ 54,000 staff in Poland (up 5,000), which is even more than in Italy (53,000). However, the holding company locations of the Netherlands, Luxembourg and Ireland, which play a major role in Swiss direct investment capital, do not feature among the top ten. Together, these countries accounted for just 35,000 employees (4% of staff in Europe).

Chart 18 also shows which locations outside Europe have significant foreign employment levels. These were mostly in the US, where Swiss-controlled companies employed the most staff worldwide at 333,000 (up 14,000). Two Asian countries – China and India – were also among the ten most important locations. With annual growth of around 6% since 2008, these countries were among the fastest-growing with regard to foreign employment. While India also maintained this growth rate in the reporting year (up 6,000 to 91,000 people), the rate was considerably lower in China (up 2,000 to 176,000 people). Brazil was the only one of the top ten locations in which foreign employment fell between 2008 and 2018. In the year under review, Swiss-controlled groups employed 62,000 people there, down from 70,000 in 2008.

Chart 18

STAFF NUMBERS ABROAD

Top ten countries for employment (2018)



Source: SNB

NUMBER OF STAFF AT PARENT COMPANIES IN SWITZERLAND

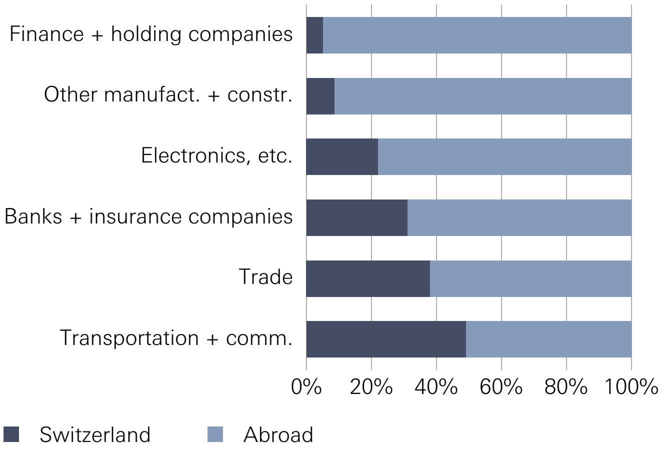
Swiss companies which invest abroad are also major employers in Switzerland. They employed 919,000 people in Switzerland, or 18% of total employment in the domestic manufacturing and services sectors.[2] Of these, 551,000 (60%) were included in the SNB's surveys. The remaining 368,000 staff were employed in Swiss-controlled companies with participations abroad that were not included in the SNB's survey since they had capital stocks of less than CHF 10 million. The percentage of staff at parent companies in Switzerland surveyed by the SNB fell from 61% to 60% in 2018 compared with 2017.

If the number of staff in Switzerland (551,000) is added to the number of staff at subsidiaries abroad (2,145,000), the Swiss-controlled groups surveyed by the SNB employed a total of 2,697,000 people (cf. table 3). Thus, the proportion of employees abroad accounts for 80% of the overall employment figure. In manufacturing the proportion was even higher (86%); in other words, the companies in this sector employ just 14% of their staff in Switzerland. Within manufacturing, the 'other manufacturing and construction' category accounted for the largest percentage of foreign employment at 91%. The lowest percentage (78%) was in the electronics, energy, optical and watchmaking category (cf. chart 19). The proportion of foreign employment in the services sector came to 70% of the total, although there are substantial differences between the individual categories. For example, the companies in the transportation and communications category employed 51% of their staff abroad. At the other end of the scale are the finance and holding companies, where staff abroad made up 94% of overall employment.

Chart 19

STAFF NUMBERS IN SWITZERLAND AND ABROAD

In %, by economic activity (2018)



Source: SNB

2 Sources: Employment statistics (JOBSTAT) and enterprise groups statistics (STAGRE) published by the SFSO, Neuchâtel.

Table 3

STAFF NUMBERS AT SWISS-CONTROLLED GROUPS BY ECONOMIC ACTIVITY[1]

In thousands

	2014	2015	2016	2017	2018	Share In %
Employees in Switzerland	**531.9**	**528.3**	**540.5**	**543.1**	**551.2**	**20.4**
Of which manufacturing	210.5	207.4	211.4	210.2	216.9	8.0
Of which services	321.4	320.9	329.1	333.0	334.4	12.4
Employees abroad	**1 954.6**	**2 006.5**	**2 053.2**	**2 078.2**	**2 145.3**	**79.6**
Of which manufacturing	1 306.2	1 340.4	1 349.8	1 346.9	1 381.0	51.2
Of which services	648.4	666.1	703.4	731.3	764.3	28.3
Total employees	**2 486.5**	**2 534.8**	**2 593.6**	**2 621.4**	**2 696.5**	**100.0**
Of which manufacturing	1 516.7	1 547.8	1 561.2	1 557.1	1 597.9	59.3
Of which services	969.8	987.0	1 032.4	1 064.3	1 098.7	40.7

1 Only includes companies covered by the direct investment survey.

Source: SNB

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