

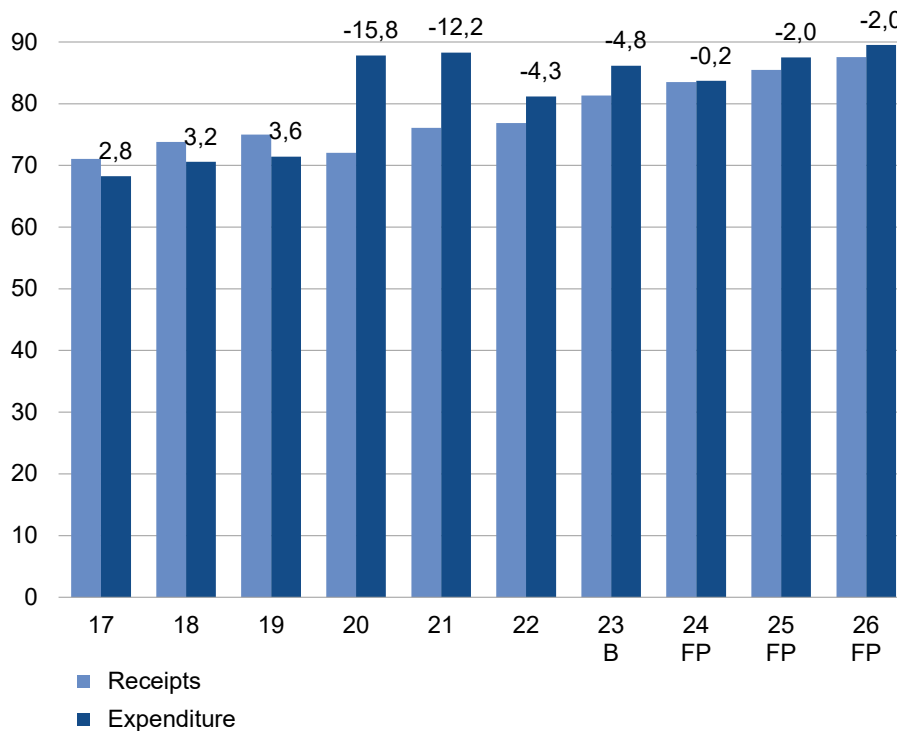


Federal finances at a glance

2022 financial statements

Overview

Financing statement, financing of expenditure in CHF bn



Substantial extraordinary expenditure was incurred once again in 2022, on the one hand for COVID-19 measures (3.3 bn), and on the other for people from Ukraine seeking protection (0.7 bn). As a result, 2022 saw another large financing deficit of 4.3 billion. Economic growth was less vigorous than expected in the budget, with real [economic growth](#) amounting to 2.1 % (budget: 3.3 %). The anticipated catch-up effects after the COVID-19 pandemic were tempered by the war in Ukraine, inflation (2.8 %), driven primarily by energy and commodity prices, and central banks' tighter monetary policy. Factoring in inflation, nominal economic growth was 5.4 %, which was much stronger than expected at the time of budgeting (3.8 %).

[Receipt](#) growth was weak compared with the previous year (+0.8 bn, or +1.0 %) and fell well short of the budgeted figure (-1.8 bn, or -2.3 %). [Expenditure](#) was down significantly year on year because of lower coronavirus-related expenditure (-7.1 bn, or -8.1 %), but the budgeted level was reached (+0.2 bn, or +0.2 %).

The Swiss economy remained below its potential in 2022. In the ordinary budget, the [debt brake](#) would have permitted a cyclical deficit of 0.3 billion. The ordinary financing deficit amounted to 1.9 billion at the end of 2022. This was the first structural deficit since 2005 (-1.6 bn).

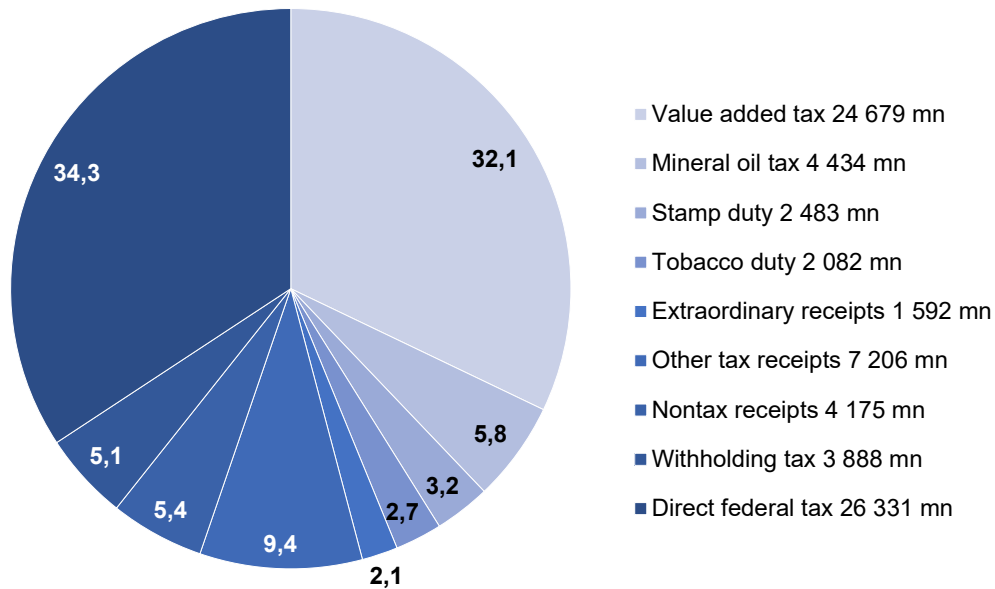
The funding requirements were covered by the federal government increasing its short-term and long-term liabilities (+11.8 bn). As a result, [gross debt](#) rose to 120.0 billion, or 15.6 % of GDP. Net debt (gross debt less non-administrative assets) climbed by 6.9 billion to 83.0 billion.

REVISION OF THE FINANCIAL BUDGET ACT (IMPLEMENTATION OF MOTION 16.4018)

The amendment to the Financial Budget Act (FBA; SR 611.01) to "simplify and optimize budget management" was brought into effect on January 1, 2022. The amendments include, among other things, the adjustment of the definition of receipts and expenditure, as well as the deletion of the financing statement, and will be applied for the first time for the 2023 budget year. These 2022 financial statements were prepared in accordance with the old legislation (FBA as of 1.1.2016). The charts show the figures up to 2022 according to the old legislation, and from 2023 onward according to the new legislation.

2022 receipts

Shares in %



Value added tax: 24 679 mn

VAT accounted for 32.7 % of total receipts, making it the most important source of receipts for the Confederation, together with direct federal tax. Domestic consumption is taxed. This includes the acquisition of domestic goods and services, as well as imports. Exports are not subject to VAT.

Direct federal tax: 26 331 mn

Direct federal tax accounted for 34.9 % of total receipts. Together with value added tax, it is the most important source of receipts for the Confederation. Direct federal tax is levied on the income of natural persons and on the net profit of legal entities. The proportions of income tax and profit tax receipts are more or less balanced at 48 % and 52 %, respectively, of direct federal tax. The 2022 receipts were derived mainly from taxable income and profits from 2021.

Withholding tax: 3 888 mn

Withholding tax accounted for 5.1 % of total receipts. Withholding tax is designed as a safeguard tax for direct taxes and is intended to ensure that income from movable capital assets is taxed (especially dividends and interest income). The receipts arise from the difference between funds received and reimbursed (including the provision for refunds still expected).

Mineral oil tax: 4 434 mn

The consumption tax levied on petroleum and fuel, among other things, amounted to 5.8 % of total receipts in 2022. Overall, around three quarters of these receipts are earmarked for road transportation and aviation (60 % of the basic tax and all of the surtax).

Stamp duty: 2 483 mn

Stamp duty accounted for 3.2 % of total receipts. Transfer stamp tax, which accounts for almost 60 % of stamp duty, is levied on purchases and sales of Swiss and foreign securities. The revenue from transfer stamp tax depends on the volume of taxable securities turnover of Swiss securities dealers. The issue tax on the accumulation of net assets/equity fluctuates considerably, as it depends on the equity requirements of companies. The third component is insurance premium stamp duty, which is collected on certain insurance premiums and whose trend is relatively stable.

Tobacco duty: 2 082 mn

Tobacco duty accounted for 2.7 % of total receipts. This duty is levied on domestically manufactured and imported tobacco products and substitutes. The revenue is used to co-finance the federal AHV contribution.

Other tax receipts: 7 206 mn

Other tax receipts consist essentially of transportation levies (e.g. heavy vehicle charge and motorway tax), incentive fees (e.g. CO₂ tax), the grid supplement and import duties. They accounted for 9.4 % of total receipts.

Nontax receipts: 4 175 mn

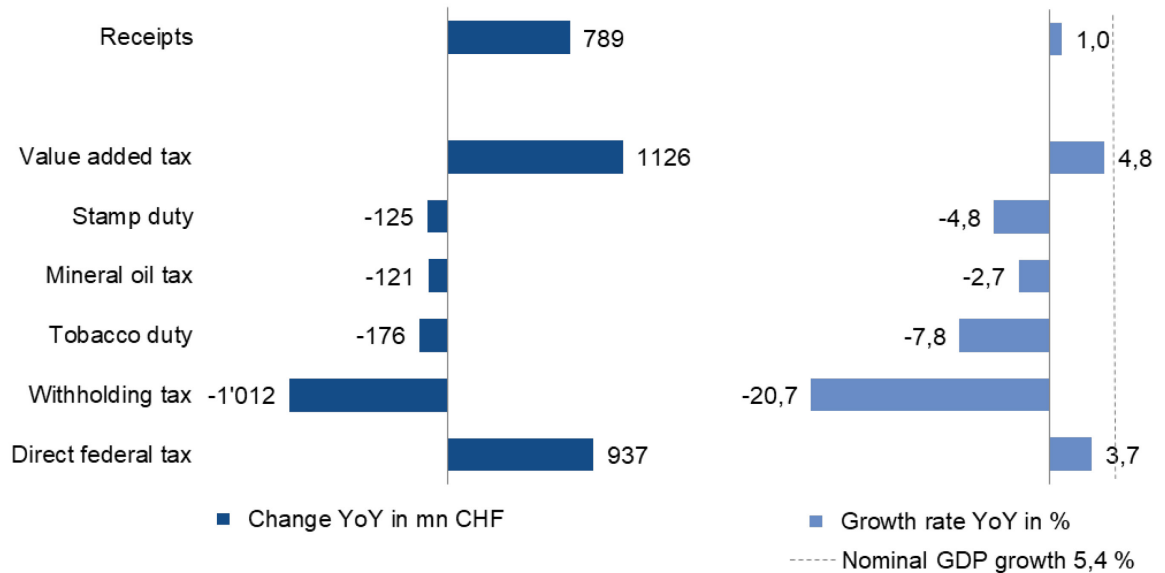
Nontax receipts accounted for 5.4 % of receipts. They include receipts from royalties and concessions, such as the basic amount of the Swiss National Bank's profit distribution (667 mn). Nontax receipts also include items such as the military service exemption tax, cantonal contributions (e.g. cantonal contributions to the railway infrastructure fund), miscellaneous receipts (e.g. building receipts) and financial receipts (e.g. interest receipts).

Extraordinary receipts: 1 592 mn

Extraordinary receipts accounted for 2.1 % of total receipts. They were derived mainly from supplementary profit distributions by the SNB (1.3 bn), which have been recognized under extraordinary receipts since 2021, thereby offsetting some of the coronavirus-related debt, which is shown in the debt brake's amortization account.

Development of selected 2022 receipts

In CHF mn and %



Receipts

In 2022, receipts posted weak year-on-year growth of 1.0 % (+0.8 bn) and reached 76.9 billion. This was attributable mainly to higher receipts from value added tax (+1.1 bn) and direct federal tax (+0.9 bn). Value added tax benefited from robust consumption and rising import prices, while in the case of direct federal tax, receipts from profit taxation experienced strong growth. However, withholding tax suffered a sharp decline (-1.0 bn). The low level of receipts was mainly due to estimate corrections (-1.9 bn), as the receipts recorded in 2019-2021 were too high from today's perspective.

Value added tax

Value added tax (VAT) receipts grew by a substantial 4.8 % (+1.1 bn) to 24.7 billion in 2022, but fell short of nominal GDP growth (+5.4 %). The rise in value added tax receipts was largely due to import tax receipts, which surged in 2022 because of high inflation (especially abroad). The budgeted figure was also exceeded by a long shot (+1.2 bn), as the assumptions made at the time of budgeting were overly pessimistic.

Stamp duty

Stamp duty receipts amounted to 2.5 billion and thus significantly exceeded the figure in the budget (+413 mn, or +19.7 %). On the one hand, the abolition of issue tax planned for May 1, 2022 was rejected in the popular vote on February 13, 2022 (+196 mn). On the other hand, transfer stamp tax receipts were also much better than budgeted (+181 mn). However, the prior year's very high figure was not matched (-4.8 %, or -125 mn).

Mineral oil tax

Mineral oil tax receipts decreased by 2.7% (-121 mn) relative to the previous year, and fell well short of the budgeted figure (-256 mn, or -5.5 %). The relatively high level of prices, the price differences relative to foreign countries (fuel discounts abroad), and the increase in electric vehicles led to lower receipts.

Tobacco duty

Tobacco duty receipts were higher than budgeted (+51 mn) but lower than the previous year (- 176 mn). The lower receipts resulted from the considerable decline in cigarette sales (-6 %). Once the COVID-19 measures were lifted, more cigarettes were again purchased abroad in less expensive countries or in duty-free stores. Tobacco duty helps finance the federal AHV/IV contribution.

Withholding tax

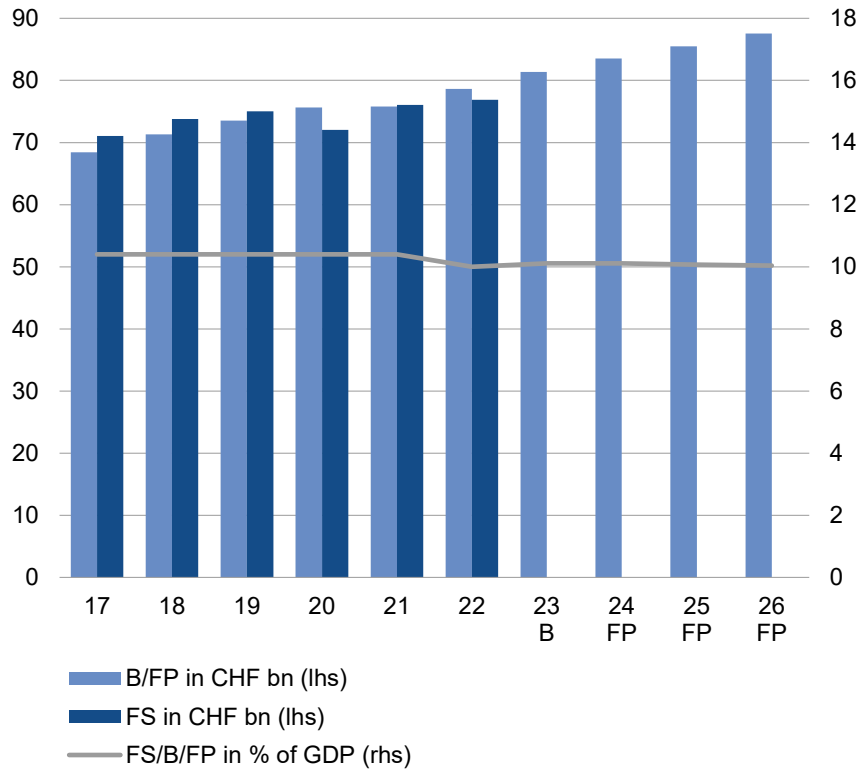
Withholding tax receipts amounted to 3.9 billion in 2022. Relative to the previous year, receipts rose by around 20 % to almost 40.1 billion, due mainly to dividends, the largest component of withholding tax. Rising interest rates and the end of negative interest rates prompted beneficiaries to claim their withholding tax refunds. Consequently, 35.8 billion was refunded in 2022, representing a rise of over 50 %. Factoring in the outstanding refunds for 2022, receipts for fiscal 2022 are estimated at 5.7 billion. In addition, the receipts recorded for 2019-2021 were too high from today's perspective. The ensuing corrections were applied to 2022 (-1.9 bn). As a result, receipts for 2022 ultimately amounted to 3.9 billion, which was significantly lower than both the prior year and the budget (-1.0 bn and - 3.2 bn).

Direct federal tax

Direct federal tax receipts climbed by 0.9 billion (+3.7 %) year on year, and also came in slightly above budget (+0.1 bn). Profit tax receipts posted robust growth (+0.9 bn, or +7.1%). This was mainly due to the economic recovery seen in fiscal 2021 following the sharp downturn of 2020 caused by the COVID- 19 pandemic. By contrast, income tax receipts virtually stagnated (+0.3 %). Although receipts from the main tax year (2021) increased, those from earlier tax years (2020 and before) dropped sharply (-17 %).

Development of 2022 receipts

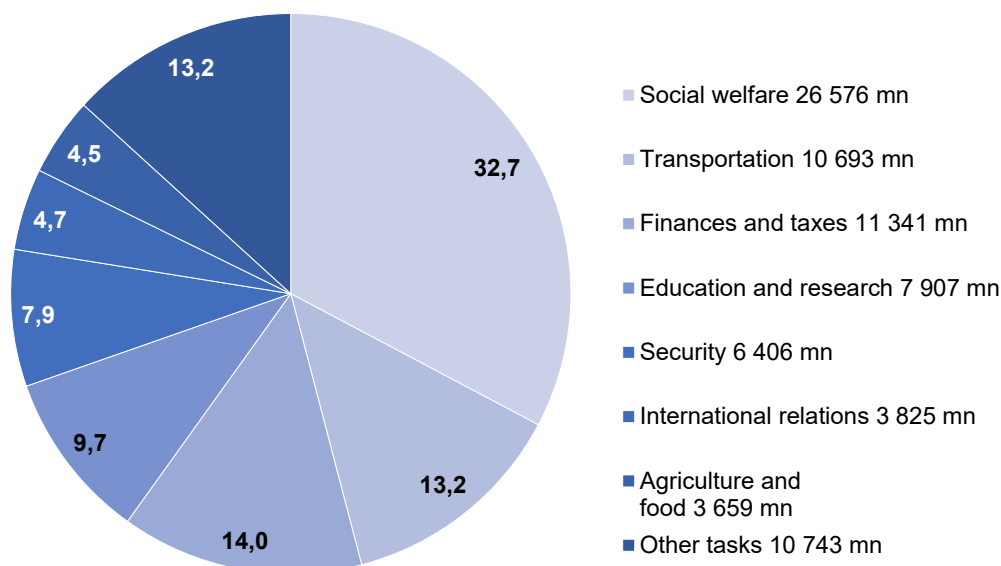
In CHF bn and % of GDP



Receipts posted subdued growth of 1.0 %, or 0.7 billion, in 2022, meaning that receipt growth was significantly weaker than nominal GDP growth (5.4%). The receipt ratio thus dropped sharply from 10.4 % to 10.0 % of GDP.

2022 expenditure by task area

Shares in %



Social welfare: 26 576 mn

The largest federal task area is social welfare, which accounted for about a third of expenditure (32.7 %). This expenditure is bound by law and therefore barely controllable in the medium term. Almost half of the expenditure goes to old-age and survivors' insurance (AHV). Other areas include federal contributions to disability insurance (IV), individual premium reductions and AHV and IV supplementary benefits, as well as migration expenditure. Expenditure growth depends largely on the volume of disability insurance and old-age and survivors' insurance pensions, and thus on demographic developments.

Finances and taxes: 11 341 mn

Finances and taxes accounted for 14.0 % of total expenditure. Expenditure growth in this area can be influenced only in the long term. The shares of federal receipts, for example, are set out in the Constitution and depend directly on the amount of receipts. Interest expenditure is determined by debt and the development of interest rates.

Transportation: 10 693 mn

Transportation accounted for 13.2 % of total expenditure. It includes expenditure on rail and public transportation (67 %), road transportation (31 %) and aviation (2 %). Transportation expenditure is financed primarily by earmarked tax receipts and is thus largely restricted. Most of this is channeled into the railway infrastructure fund (RIF) and the motorway and urban transportation fund, through which the operation, maintenance and extension of the transportation infrastructure are steered.

Education and research: 7 907 mn

The education and research task area accounted for 9.7 % of expenditure, and around 80 % of it is steered by the payment frameworks and guarantee credits requested with the 2021-2024 ERI dispatch. Switzerland is not currently associated with EU research programs, which is why comprehensive transitional measures are planned. Association to the Horizon package as soon as possible remains the goal.

Security: 6 406 mn

Security accounted for 7.9 % of expenditure. More than 80 % of security expenditure is attributable to military national defense, which was determined by the 2021-2024 Armed Forces payment framework, requested in the 2020 Armed Forces dispatch. The task area includes the tasks "military national defense", "civil protection and civilian service", "police, prison system and intelligence" and "border controls".

Agriculture and food: 3 659 mn

About 4.5 % of expenditure is budgeted for agriculture and food. Direct payments account for roughly three quarters of this (2.8 bn). During the 2021 spring session, Parliament decided to suspend deliberations on the legislative amendments submitted as part of AP22+. The agriculture financial resources of 13.957 billion for 2022 to 2025 were nevertheless approved on June 3, 2021. Based on the Federal Council report of June 22, 2022 on the future direction of agricultural policy, the Federal Council has requested that Parliament resume deliberations on AP22+.

International relations: 3 825 mn

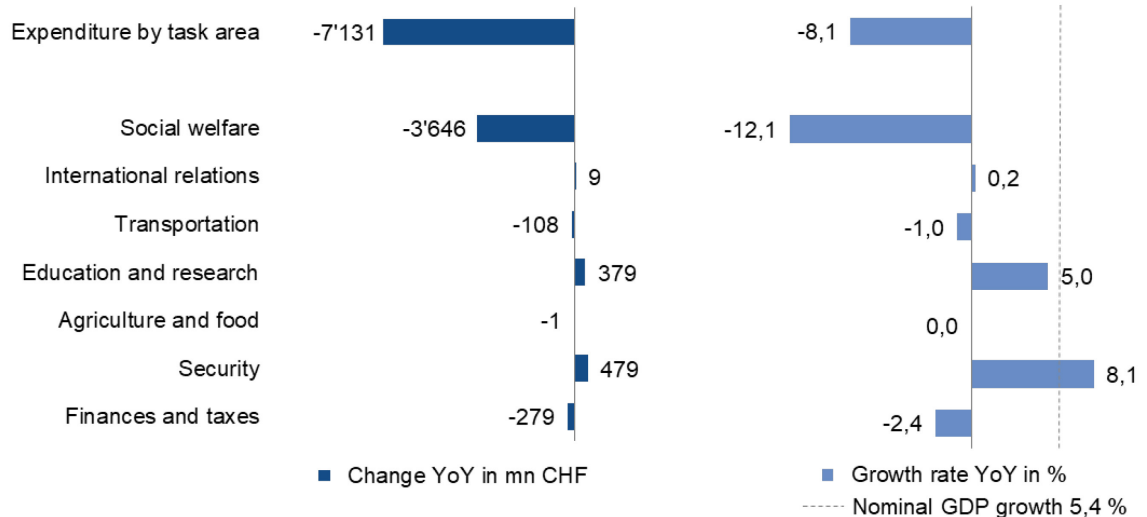
The international relations task area accounted for 4.7% of total expenditure. Just under 80% of its expenditure goes to development cooperation. Most of the remainder is attributable to political relations, i.e. Swiss diplomatic and consular representations and expenditure for international organizations.

Other task areas: 10 743 mn

The five remaining task areas (institutional and financial conditions, culture and leisure, health, protection of the environment and spatial planning, economic relations) accounted for 13.2% of expenditure.

Development of selected 2022 expenditure items by task area

In CHF bn and %



Expenditure by task area

Expenditure plunged by 7.1 billion (-8.1 %) to 81.2 billion in 2022, largely because of significantly lower expenditure to combat the COVID-19 pandemic (2021: 14.1 bn; 2022: 3.7 bn). However, the war in Ukraine resulted in additional expenditure of 1.2 billion. Much of this was needed for those from Ukraine seeking protection (global lump sums and federal integration contributions to the cantons for protection seekers).

Excluding coronavirus-related expenditure and expenditure in connection with the Ukraine crisis, expenditure growth amounted to 2.7 %. Expenditure increased in particular in the areas of social welfare (migration, AHV, IV), security (defense expenditure), education and research (Horizon transitional measures) and in other task areas (including redistribution of CO₂ tax, security of energy supply).

Social welfare

Social welfare expenditure decreased by 3.6 billion (-12.1 %) year on year, due primarily to significantly lower COVID-19 expenditure for short-time working compensation (-3.6 bn; unemployment insurance) and COVID-19 loss of earnings compensation (-1.5 bn; family policy, equality). Excluding COVID-19 expenditure, social welfare expenditure rose by 6.5 %, especially in the areas of migration, old-age and survivors' insurance and disability insurance. Migration expenditure surged by more than 1.0 billion (+66.9 %), largely because of the admission of people from Ukraine seeking protection (status 'S'), but also due to the rise in asylum applications. Expenditure on old-age and survivors' insurance was up by 309 million (+2.4 %). First, the federal contribution to AHV rose because of the growth in the number of pensioners, and second, higher VAT receipts led to a rise in the percentage of value added tax for AHV (+146 mn). The positive development of value added tax additionally led to higher federal payments to disability insurance (+146 mn).

International relations

Expenditure on international relations remained at the previous year's level (+0.2 %, or +9 mn). The rise in the area of political relations (+22 mn) was attributable mainly to higher prices abroad and the greater number and resumption of international events and meetings. Development assistance, which accounted for almost 80 % of the task area, remained more or less unchanged (-0.4 %). Although more humanitarian and food aid was provided to Ukraine, expenditure for combating the COVID-19 pandemic abroad was reduced.

Transportation

Transportation expenditure fell by 1.0 % year on year (-108 mn), largely because the expenditure to combat the COVID-19 pandemic was halved from 589 million to 285 million (including the absence of the 250 mn Skyguide recapitalization). Excluding the COVID-19 measures, transportation expenditure increased by 195 million (+1.9 %). Expenditure on rail and public transportation grew by 270 million, driven mainly by the bigger deposit in the railway infrastructure fund (+213 mn); high inflation meant that the general federal budget and VAT contributions were higher, as was the cantonal contribution. By contrast, road transportation expenditure decreased by 116 million, mainly because the deposit in the motorway and urban transportation fund was lower (-105 mn) due to the drop in mineral oil tax. Aviation expenditure was likewise down (-12 mn excluding COVID-19 expenditure).

Education and research

Education and research expenditure rose by 5.0 % relative to 2021 (+379 mn). Most of this growth was in the research sector (+341 mn). Switzerland's continued non-association to the EU's Horizon research agreement in 2022 meant that the budgeted contribution to the EU (709 mn) was not used, as was already the case in 2021. Instead, more funds were needed for the transitional measures (+266 mn). Expenditure in the area of tertiary-level institutions was up by 25 million. This was due to higher contributions to the ETH Domain and research promotion institutions, as well as project contributions under the Federal Act on the Funding and Coordination of the Higher Education Sector (HEdA). Spending on vocational education and other education likewise rose (+9 mn and +4 mn, respectively).

Agriculture and food

Agriculture and food expenditure remained at the previous year's level (-0.0 %, or -1 mn). Direct payments accounted for three quarters of agriculture expenditure, and remained unchanged year on year. Regarding means of production (+3 mn), Parliament decided when setting the payment framework to increase the structural improvement subsidies for ecological measures. In the area of production and sales, dairy industry subsidies led to additional expenditure (+4 mn). Other expenditure, such as the Federal Office for Agriculture's administrative expenses, decreased (-8 mn).

Security

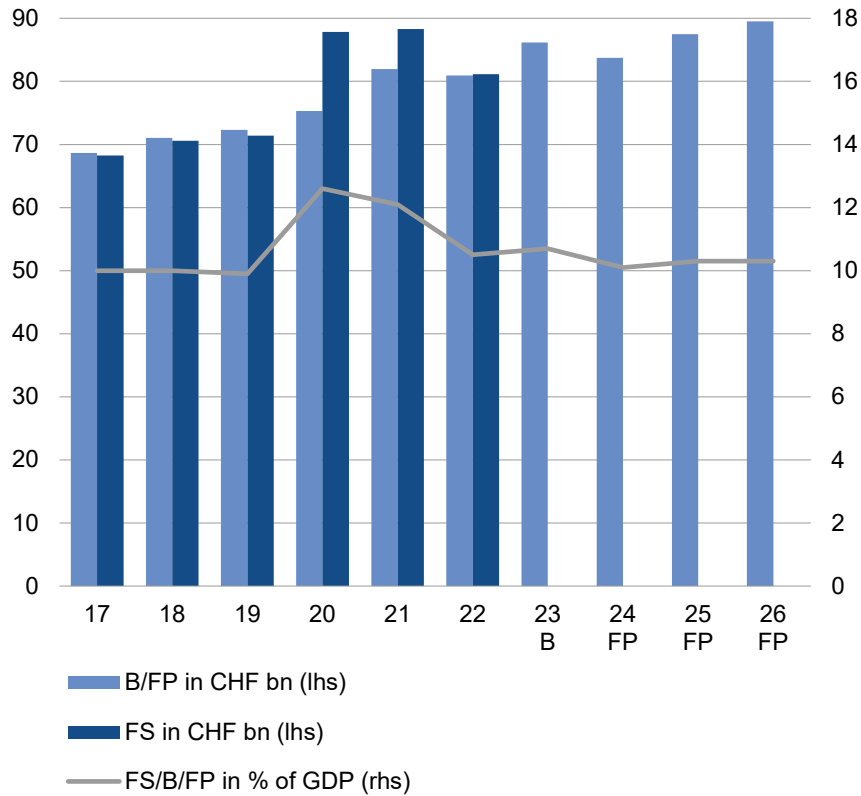
Security expenditure surged by 8.1 % in 2022 (+479 mn). Military national defense expenditure rose by 398 million, largely as a result of higher defense expenditure (+306 mn). The first advance payments for the procurement of the new fighter jets decided by Parliament in the 2022 Armed Forces dispatch were made in 2022. There was a sharp increase also in the police, prison system and intelligence area (+74 mn, or +15.0 %). In the case of the police, higher payments were made in particular for extraordinary protection tasks (e.g. Ukraine Recovery Conference). Moreover, additional expenditure was incurred for intelligence, and higher construction contributions were paid to prisons and juvenile correctional institutions. Border control expenditure was also higher (+12 mn).

Finances and taxes

Finances and taxes expenditure declined by 2.4 % (-0.3 bn) because of the cantons' shares of federal receipts, which fell by 527 million (-7.2 %). The lower cantonal share of withholding tax (-560 mn) and the absence of the special factor in the form of the refund of VAT on radio and television reception fees (-182 mn) were offset by a higher cantonal share of direct federal tax (+210 mn). Expenditure in the area of funding and asset and debt management (+122 mn) rose as a result of higher interest rates and the fiscal equalization expenditure incurred due to the temporary mitigation measures in connection with the 2020 fiscal equalization reform (+126 mn).

Development of 2022 expenditure

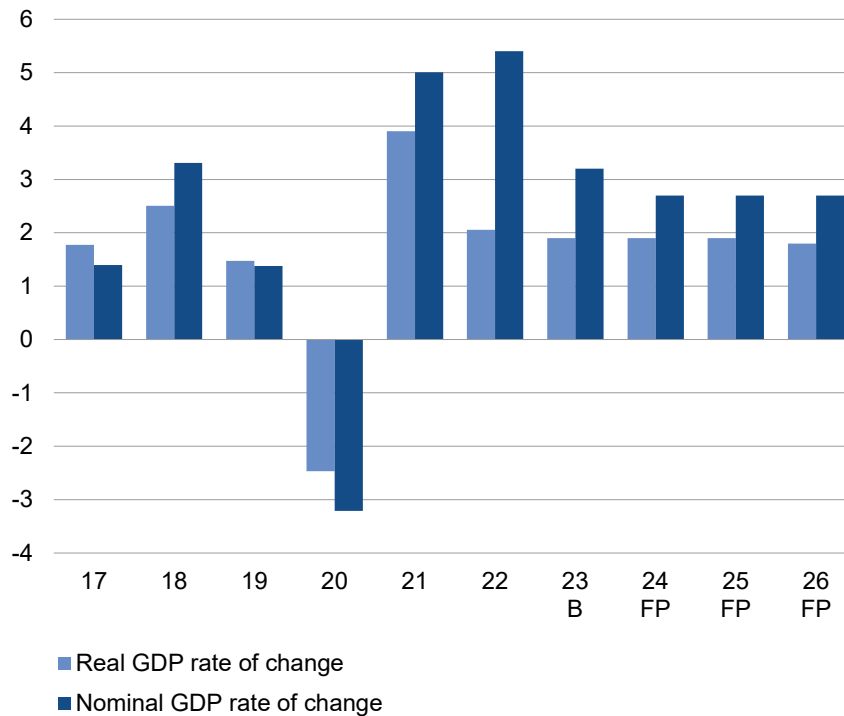
In CHF bn and % of GDP



The decrease in coronavirus-related expenditure (2021: 14.1 bn; 2022: 3.7 bn) caused total expenditure to plunge by 8.1 % (-7.1 bn) in 2022. As nominal GDP grew vigorously at the same time (+5.4 %), the expenditure ratio dropped significantly from 12.1 % to 10.5 %. The expenditure ratio is an indicator of the extent of federal activities relative to the overall economy. Excluding extraordinary expenditure (COVID-19 measures: 3.3 bn; people from Ukraine seeking protection: 0.7 bn), expenditure was up by 1.2 billion.

Development of economic output

Real and nominal GDP rates of change (in %, adjusted for sporting events)



Sources:

2017–2022: State Secretariat for Economic Affairs (SECO)

2023: Estimates of economic forecasts expert group of June 15, 2022

2024–2026: Forecasts according to the dispatch on the 2023 budget with integrated task and financial plan for 2024 to 2026 of August 17, 2022

The economy expanded by 2.1 % in real terms in 2022, meaning that its growth was weaker than the 3.3 % assumed in the 2022 budget. Economic growth was underpinned primarily by the domestic economy. Despite rising inflation, the development of consumer spending remained solid, not least thanks to the supportive labor market. Investments decreased overall and the deterioration of the international environment and the associated decline in foreign demand also curbed their growth.

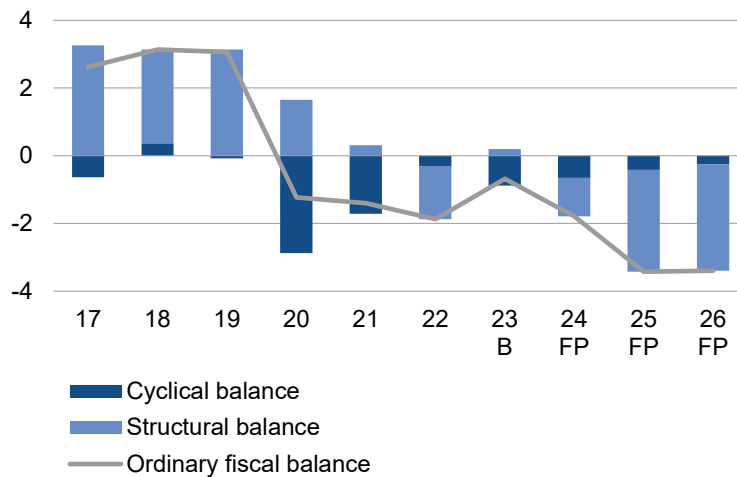
Compared with the previous year, inflation rose to 2.8 % (budget: 0.5 %). The war in Ukraine and supply chain bottlenecks caused energy and commodity prices to skyrocket. Moreover, inflation spread, as the prices of other goods were also raised. Although inflation had not been as high in Switzerland since the 1990s, it remained moderate by international standards. This was partly due to the economy being less energy-intensive and the nominal appreciation of the Swiss franc. Due to high inflation, nominal economic growth amounted to 5.4%, which was stronger than expected in the budget (3.8 %).

Central banks responded to the rise in inflation rates. Aside from the US Federal Reserve and the European Central Bank, the Swiss National Bank also raised interest rates. It did so in three steps, taking the SNB policy rate from -0.75 % to +1.0 % by year-end.

As the economy recovered and unemployment fell, the labor market was increasingly impacted by tight labor supply. Employment increased moderately and the unemployment rate fell to 2.2 % (2021: 3.0 %), its lowest level in over 20 years.

The federal budget from a debt brake viewpoint

In CHF bn



Switzerland's economic output remained below potential in 2022. Therefore, an ordinary financing deficit of 0.4 % of ordinary receipts, or 0.3 billion, would have been permitted in 2022. The actual ordinary financing deficit in 2022 was 1.9 billion. Consequently, the permissible deficit was exceeded, and a structural deficit of 1.6 billion ensued for the first time since 2005. This was attributable to low withholding tax receipts. As ordinary expenditure remained below the expenditure ceiling set in the budget, the debt brake was complied with despite the structural financing deficit.

The structural financing deficit (1.6 bn) was debited to the compensation account. This brought the balance of the compensation account, which provides the debt brake statistics for the ordinary budget, to 21.9 billion at the end of 2022. The positive balance shows that the debt brake requirements were exceeded overall in the past.

In the extraordinary budget, expenditure totaled 4.0 billion in 2022, with 3.3 billion of that going toward combating the COVID-19 pandemic; this was significantly less than in 2020 and 2021 (14.7 bn and 12.3 bn). A further 0.7 billion involved compensation for the cantons' social welfare expenditure in favor of people from Ukraine seeking protection. As in 2020 and 2021, the debt brake exception was invoked in 2022 too, as both the COVID-19 pandemic and the high number of people from Ukraine seeking protection were extraordinary events beyond the control of the Confederation. At the same time, extraordinary receipts of 1.6 billion were recognized. Just over 1.3 billion of that came from the SNB's supplementary profit distribution from fiscal 2021. Extraordinary receipts are credited to the amortization account and extraordinary expenditure is debited to it. The shortfall in the amortization account at the end of 2022 thus rose to 22.7 billion.

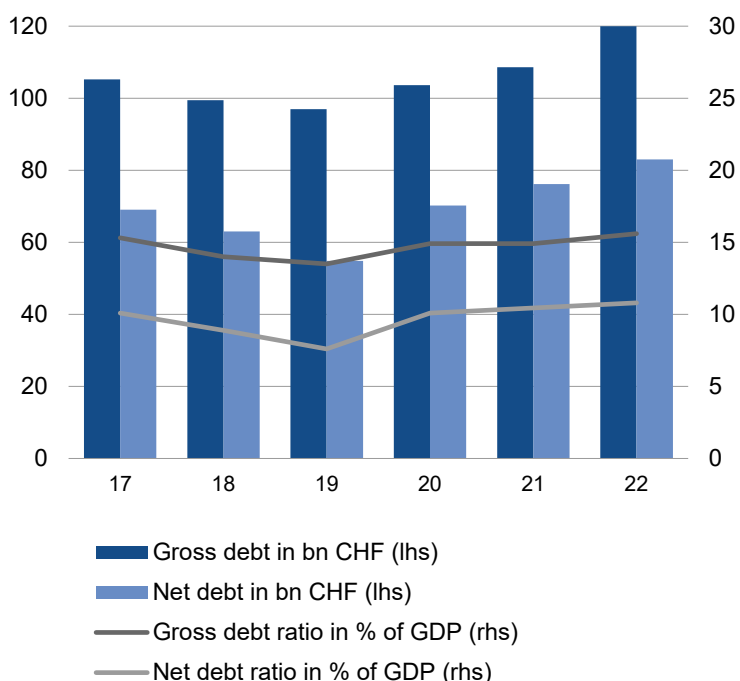
On September 30, 2022, Parliament decided to clear the entire deficit in the extraordinary budget within the next three legislative periods. To this end, structural financing surpluses in the ordinary budget – in addition to extraordinary receipts – will be credited to the amortization account. However, any structural deficits like in 2022 will continue to be debited to the compensation account.

LOWER CYCLICAL FACTOR ESTIMATED

The cyclical factor is defined as the ratio of trend gross domestic product (trend GDP) to current GDP. Since the 2023 budget, trend GDP and potential output have been calculated by SECO using a production function. According to the current estimate, the cyclical factor for 2022 is 1.004. The underutilization of economic capacity in Switzerland is thus estimated at 0.4 % of potential output, which is lower than expected in the 2022 budget (1.008). On the one hand, the economic slump in 2020 was not as severe as feared in the 2022 budget. On the other hand, the extraordinary partial revision of the national accounts in the fall of 2022 resulted in a lower estimate for Swiss GDP. Overall, the gap between potential output and actual GDP has narrowed in 2022, i.e. underutilization is estimated to be lower.

Debt and debt ratio

In CHF bn and % of GDP



Gross debt comprises current liabilities as well as short- and long-term financial liabilities. The former are mainly liabilities toward taxpayers and the cantons, while the latter are outstanding debt instruments of the Confederation (bonds and money market debt register claims). The 11.4 billion rise in gross debt was primarily due to the increase in money market debt register claims (+4.4 bn), bonds (+3.2 bn), liabilities toward the Substitute Occupational Benefit Institution (+2.0 bn) and liabilities toward unemployment insurance (+1.6 bn).

Net debt is defined as gross debt less non-administrative assets. Non-administrative assets could be used to repay debt if necessary. Net debt rose by 6.9 billion during the year under review. This consisted of the 11.4 billion rise in gross debt, less the 4.5 billion increase in non-administrative assets. Part of the rise in debt was thus used to increase non-administrative assets and cash and other liquid assets, which meant that the federal government was ready to use the rescue mechanism for the electricity industry if necessary (4 bn for Axpo Holding AG).

NET DEBT

As part of the FBA revision to "simplify and optimize budget management", it was decided to define net debt more broadly from 2023 onward (liabilities including provisions and accruals/deferrals, less non-administrative assets). This definition was applied for the first time for the 2023 budget. The old definition is still used in the 2022 state financial statements.