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Confederazione Svizzera
Confederaziun svizra

STATE FINANCIAL STATEMENTS

20 17

REPORT

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DISPATCH ON THE 2017 STATE FINANCIAL STATEMENTS

of March 16, 2018

Dear Mr President of the National Council,
Dear Mrs President of the Council of States,
Ladies and gentlemen,

With this dispatch, we hereby submit the Swiss state financial statements for 2017 to you, and propose that you approve them in accordance with the enclosed draft resolutions.

Respectfully yours,

Bern, March 16, 2018

On behalf of the Swiss Federal Council

President of the Swiss Confederation:

Alain Berset

Federal Chancellor:

Walter Thurnherr

SYMBOLS AND ABBREVIATIONS

The following symbols and abbreviations were used in the tables in this dispatch:

-	same as 0 or no value
n.d.	not displayed
n.q.	not quantifiable
CHF	Swiss francs
mn	million
bn	billion
%	percent
Δ	difference
Ø	average
>	greater than
<	smaller than
Fin. stmt.	financial statements
Bdg.	budget
FP	financial plan
LFP	legislature financial plan
E	estimate
FTE	full-time equivalent
PG	performance group(s)

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REPORT ON THE ANNUAL FINANCIAL STATEMENTS

A

FIGURES OVERVIEW

FIGURES OVERVIEW

CHF mn	FS 2016	Bdg. 2017	FS 2017
Financing statement			
Ordinary receipts	67 441	68 418	71 087
Ordinary expenditure	66 970	68 668	68 288
Ordinary fiscal balance	470	-250	2 799
Extraordinary receipts	478	-	177
Extraordinary expenditure	-	-	-
Overall fiscal balance	949	-250	2 977
Debt brake			
Structural surplus (+) / structural deficit (-)	1 212	92	3 439
Maximum admissible expenditure	68 183	68 760	71 727
Room for maneuver (+) / need for adjustment (-)		92	
Compensation account balance	21 634		25 073
Amortization account balance	2 603		2 781
Statement of financial performance			
Operating revenue	66 234	66 895	69 698
Operating expenses	65 505	66 911	66 687
Operating result	729	-17	3 011
Financial result	-1 286	-1 114	-1 026
Result from interests	3 470	826	2 750
Surplus/deficit for the year	2 914	-305	4 736
Statement of investments			
Investment receipts	711	712	648
Investment expenditure	8 554	8 484	8 396
Statement of investments balance	-7 844	-7 772	-7 748
Extraordinary investment receipts	165	-	78
Extraordinary investment expenditure	-	-	-
Statement of financial position			
Net assets/equity	9 366		21 436
Gross debt	104 192	106 400	105 202
Indicators			
Expenditure ratio in %	10.2	10.4	10.2
Tax ratio in %	9.6	9.7	10.0
Gross debt ratio in %	15.8	16.2	15.7
Macroeconomic reference values			
Real GDP growth in %	1.3	1.8	1.0
Nominal GDP growth in %	0.7	2.0	1.4
Change in the National Consumer Price Index in %	-0.4	0.3	0.5
Long-term interest rates in % (annual average)	-0.4	0.0	-0.1
Short-term interest rates in % (annual average)	-0.8	-0.7	-0.7
USD to CHF exchange rate (annual average)	0.99	1.00	0.98
EUR to CHF exchange rate (annual average)	1.09	1.10	1.11

Notes:

- Interest rates: Annual average for 10-year federal bonds or 3-month Libor.
- Exchange rates: Annual average. Source: SNB.
- The figures for 2016 were adjusted (see section B72, Changes in accounting standards).

SUMMARY

The federal budget ended 2017 with a surprisingly high ordinary financing surplus of 2.8 billion. A deficit of 250 million had been expected in the budget. The improvement was due mainly to the considerable additional receipts from withholding tax (+2.0 bn). Provisions for future withholding tax refunds were increased by 2 billion and were included in the financing statement for the first time.

The Confederation's *financing statement* for the ordinary budget ended 2017 with a surplus of 2.8 billion. Consequently, the ordinary fiscal balance was significantly better than both the budget and the previous year (+2.3 bn vs. 2017 budget; +3.0 bn vs. 2016 financial statements). This was attributable to the exceptional development of withholding tax, where refunds did not keep pace with receipts and the receipt balance thus rose sharply (+2.0 billion vs. 2017 budget; +2.5 billion vs. 2016 financial statements). These figures take account of the 2 billion increase in the provisions for future withholding tax refunds. The formation of the provisions was recognized not only in the statement of financial performance, but for the first time also in the financing statement.

The Swiss economy was less dynamic in 2017 than assumed in the budget. *Economic growth* followed the international trend with a slight delay. It did not pick up until the second half of the year – parallel to the Swiss franc's weakening – and remained below the budget expectations (1.4%) at a total of 1.0%. In contrast, inflation rose somewhat more sharply than budgeted (0.5% instead of 0.3%), as import prices rose.

Due to the ongoing economic capacity underutilization, the *debt brake* would have permitted a cyclical deficit of 0.6 billion for 2017. Together with the realized surplus of 2.8 billion, there was a structural surplus of 3.4 billion. This is to be credited to the compensation account, bringing that account balance to 25.1 billion.

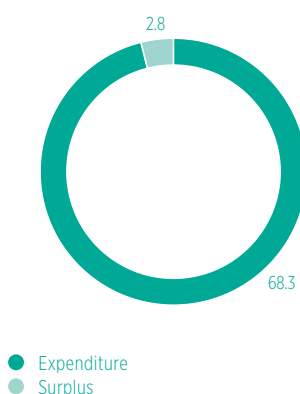
After declining in 2016, *receipts* grew by 5.4% in 2017, which was much stronger than the nominal economic growth rate of 1.4%. The receipt growth was driven primarily by the exceptional development of withholding tax. Extensive dividend payments led to high receipts, while refunds rose only slightly. Excluding withholding tax, receipts grew by 1.7% and also deviated less from the budget (1.1% instead of 3.9%). Aside from withholding tax, VAT and stamp duty also rose significantly.

Federal *expenditure* grew by 1.3 billion to 68.3 billion (+2.0%) year on year. Aside from the continuing increase in contributions to social insurance and cantons in the area of social welfare, education and research (Horizon 2020) and the other task areas (sureties for oceangoing vessels) were the main expenditure drivers. In contrast, transportation expenditure edged down a little. In 2017, actual expenditure was again lower than the budgeted level, albeit to a much lesser extent than in previous years: overall, *budget underruns* of around 400 million resulted.

Receipts of 177 million were recognized in the *extraordinary budget*. The Competition Commission collected fines of 99 million. Another 78 million resulted from the debt restructuring liquidation of Swissair. Extraordinary receipts are to be credited to the amortization account, bringing its balance to 2.8 billion. This surplus serves the purposes of counter-financing future extraordinary expenditure.

2017 FINANCIAL STATEMENTS APPROPRIATION OF RECEIPTS

Ordinary financing statement



The ordinary budget posted a surplus of 2.8 billion. These funds were not used for expenditure and are available for debt reduction.

The *statement of financial performance* ended with a revenue surplus of 4.7 billion. The operating result and the result from financial interests (total +5.8 bn) contributed to that. The financial result adversely affected the financial statements (-1.0 bn).

The *cash flow statement* was prepared for the first time. There was a net cash inflow of 7.7 billion in 2017. The Confederation received 11.6 billion from operating activities. Investments in tangible fixed assets and financial assets (-2.7 bn) and the redemption of financial liabilities (-1.2 bn) led to a cash outflow.

During the year under review, gross debt increased by 1.0 billion to 105.2 billion as a result of higher current liabilities. Liquidity was built up at the end of 2017 to redeem a bond at the start of 2018. Consequently, net debt decreased by 7.9 billion to 68.4 billion.

The *statement of financial position* showed positive net assets/equity because of the revaluation (see box). This was due essentially to the higher valuation of financial interests in licensed transportation companies. In 2017, net assets/equity climbed by 12.1 billion to 21.4 billion. This was due to the positive results for the year, as well as unrealized gains on employee retirement benefits, which were recognized directly in net assets/equity.

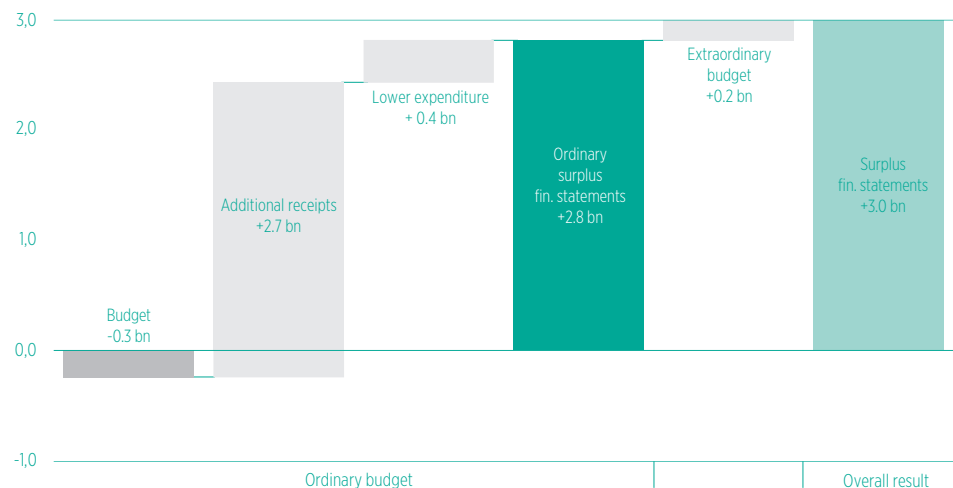
ACCOUNTING STANDARD CHANGES AND ADJUSTED 2016 VALUES

In accordance with Parliament's resolution on the optimization of the accounting model (14.077), extensive accounting standard changes were implemented in the 2017 financial statements. The adjustments concerned mainly the areas of financial instruments, financial interests, employee benefits and defense equipment. In addition, there was a change of practice for withholding tax, and the provisions are now taken into account also in the financing statement.

The figures for 2016 were also revalued to allow for prior year comparisons. This is indicated by means of a footnote in the affected tables. The new values for 2016 will be submitted to Parliament for approval together with the federal decree. Further information on the changes can be found in sections A13 (overview) and B72 (detailed presentation and derivation of the figures).

DERIVATION OF THE FINANCIAL STATEMENT RESULTS

Financing statement for 2017 in bn



A deficit of 0.3 billion had been budgeted for 2017. Substantially higher receipts, especially from withholding tax, led to the ordinary surplus of 2.8 billion.

EXPLANATIONS

1 BACKGROUND

11 BUDGETING FOR 2017

The Federal Council had implemented the 2017–2019 stabilization program in the 2017 budget. In contrast, Parliament increased the agricultural budget, export contributions and expenditure in the area of education. Thanks to fewer asylum applications for 2016, it was possible for migration expenditure to be revised downward.

The *Federal Council* adopted the dispatch on the 2017 budget on August 24, 2016. The structural surplus amounted to 125 million. The Federal Council had factored in the relief from the 2017–2019 stabilization program. Parliament did not decide on this until the second half of the year. The Federal Council was continuing to expect a sharp increase in migration expenditure in 2017 (+850 mn), as it was assuming 45,000 asylum applications in 2016. Since the Federal Council wanted to refrain from further savings measures and the migration development was extraordinary and not directly controllable, it budgeted 400 million as an extraordinary payment requirement.

The 2017 budget was discussed by *Parliament* during the 2016 winter session and was adopted on December 15, 2016. By then, it had become apparent that there would be fewer asylum applications than assumed by the Federal Council. Parliament therefore dispensed with the extraordinary nature. Instead, credits in the area of migration were reduced and a credit freeze of 60 million was decided. The Federal Council implemented the latter in full with regard to migration expenditure. Moreover, Parliament made three transversal cuts totaling 128 million in the administration's own area. Additional expenditure was decided upon for the agricultural budget (+62 mn), export contributions for processed agricultural products (+27 mn) and education, research and innovation (+74 mn). Due to the changes, the structural surplus fell to 92 million.

During *budget implementation*, it was possible to comply with the above-mentioned credit freeze for migration expenditure. At 298 million, or 0.4%, the supplementary credits with a financing effect approved by Parliament remained at the long-term empirical level (0.4%; after deducting compensation in each case). The biggest supplementary credit related to the honoring of sureties in the area of oceangoing vessels (215 mn; addendum Ia). Further information can be found in section C31. In addition, the Federal Council transferred credits of 82.8 million (see section C32). Credit overruns amounted to 136.7 million (see section C33). They will be submitted to Parliament for retroactive approval together with the state financial statements.

12 ECONOMIC DEVELOPMENT

Economic growth did not pick up until the second half of the year – parallel to the Swiss franc’s weakening – and remained below expectations at a total of 1.0%.

MACROECONOMIC PARAMETERS 2017

	Bdg.	FS	Deviation in percentage points
Change in %			
Real GDP	1.8	1.0	-0.8
Nominal GDP	2.0	1.4	-0.6
Rate in %			
Inflation (CPI)	0.3	0.5	0.2

All major regions of the world experienced a period of strong and exceptional growth in 2017. Unlike during other upswings, inflation remained moderate. In contrast, the price indices for equities and real estate reached new highs.

EXCHANGE RATE BOLSTERED THE ECONOMY IN THE SECOND HALF OF THE YEAR

Swiss economic growth followed the international trend with a slight lag. At the start of the year, economic momentum continued to be dominated by the strong Swiss franc. Although the Swiss economy was gradually able to complete its structural adjustment to the more difficult export conditions, it was not until the second half of the year that it clearly posted a recovery in parallel with the franc’s depreciation. This development was supported by strong growth in the euro area. The upswing from mid-2017 onward was broadly based by both exports and investments and the main economic sectors.

UNEXPECTEDLY LOW ECONOMIC GROWTH

Nevertheless, the Swiss economy’s annual growth rate of 1.0% was weaker than in 2016, due mainly to the significantly lower growth in capital investment at the beginning of the year and service exports. On average in 2017, private and government spending also grew less robustly than the previous year. Real value added was expected to rise by 1.8% in the 2017 budget.

INDUSTRY SUPPORTED GROWTH

Industry had suffered particularly badly as a result of the franc shock of January 2015, but it proved to be a driver of the economy as a whole over the course of the year. Bucking this industry trend, the construction industry posted declining growth rates. Value added stagnated in financial services too. The pronounced weakness of service exports finally led to a much smaller rise in total export demand than in 2016.

FURTHER DROP IN UNEMPLOYMENT

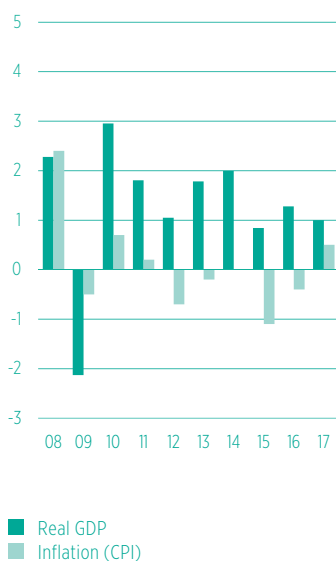
Unemployment peaked at the end of 2016 and has been declining continually ever since. This improvement in the labor market is due essentially to the economic recovery. As a result of weaker economic growth in recent years, immigration has also slowed down.

UNCHANGED MONETARY POLICY AND RISING PRICES

Wage pressure remained low despite the drop in unemployment. However, inflation has risen noticeably since the summer of 2017 because of the depreciation of the Swiss franc. In the annual results, this is reflected in a stronger than expected increase of 0.5% in consumer prices.

ECONOMIC GROWTH AND INFLATION

in %



For the first time since 2011, inflation was once again positive in 2017. With a rise of 1.0%, real value added expanded less than expected.

As anticipated, the monetary policy of the Swiss National Bank (SNB) remained expansionary in 2017. The SNB's key interest rate remained in negative territory, and the interest rate differential with the euro was thus maintained. The SNB was also able to reduce its interventions to weaken the Swiss franc in the second half of the year as the upward pressure eased. The SNB's interest rate policy and the equally expansionary measures of the European Central Bank and the US Federal Reserve fueled a rise in equity and real estate prices.

13 CHANGES IN THE 2017 FINANCIAL STATEMENTS

Two amendments to the Financial Budget Act came into force in 2017: the new federal management model (NMM) and various improvements to the accounting model (NAM). These changes largely impacted the 2017 budget already; some adjustments are now taking effect for the first time with the 2017 financial statements.

NEW MANAGEMENT MODEL FOR THE FEDERAL ADMINISTRATION

With the new management model for the Federal Administration (NMM), global budgets in the proprietary area and performance information on the individual business areas (performance groups) were introduced in all administrative units as of January 1, 2017. The administrative units' financial reporting (Volumes 2A and 2B) was completely revised. Their structure was already known from the 2017 and 2018 budgets. Reporting on target achievement and the issue of reserves from global budgets took effect for the first time in the 2017 financial statements:

- On the *overview* page of each administrative unit, a commentary can be found on the implementation status of the projects mentioned in the budget. Any delays are justified and missed milestones are rescheduled.
- The actual values for the target values defined in the budget are provided on the *performance group* page. Major deviations are justified in detail and any corrective measures are explained. However, the contextual information shown in the budget is omitted.
- The *supporting evidence for the budget items* shows the components of the function-specific expenses (global budgets) and the headcount of each performance group (Art. 11 para. 6 of the FBA). In the overview of reserves, the administrative units report which reserves they released or used during the fiscal year and, where appropriate, justify their requests for the creation of new restricted or general reserves. Parliament's decision on the creation of new reserves is set out in the federal decree on the 2017 financial statements.

A detailed report on the handling of global budgets is provided in section A44.

CHANGES IN ACCOUNTING STANDARDS

With the 2017 financial statements, extensive changes were implemented in the accounting model and accounting standards. In addition, a change in practice was made concerning withholding tax in the financing statement.

The *accounting model changes* concerned the structure and format of the annual financial statements. For example, a new cash flow statement was introduced for the "cash" fund, the organization of the statement of financial performance was adjusted and the financing and flow of funds statement was reduced to the financing statement.

The *accounting standard changes* were attributable on the one hand to the introduction of new accounting standards (IPSAS standards). On the other hand, previous deviations from existing IPSAS standards were removed and the Confederation's accounting and valuation principles were revised in selected areas. The adjustments concerned mainly the areas of financial instruments, financial interests, employee benefits and defense equipment.

Within the scope of the closing accounts, a *change of practice* was also made *regarding withholding tax provisions*. Provision changes are now included in the financing statement too. Withholding tax receipts thus include provision changes as well. Previously, a change in the provisions for future withholding tax refunds was recognized only in the statement of financial performance.

All adjustments came into effect on January 1, 2017 and have been shown in the 2017 financial statements by means of a *restatement*. This refers to the revaluation of items in the statement of financial position in accordance with the new accounting and valuation principles. In order to ensure comparability, the previous year's (2016) statement of financial position, statement of financial performance and financing statement were also adjusted and presented as if the new accounting and valuation principles had already existed.

The net assets/equity shown in the federal financial statements surged because of the revaluation, and amounted to 9.4 billion (previously -20.7 bn) at the end of 2016. The adjusted statement of financial performance results and the financing statement for 2016 likewise differ materially from the values originally reported in the 2016 financial statements: new surplus or deficit for the year 2.9 billion (previously -66 mn), new overall fiscal balance 0.9 billion (previously 1.2 bn). In addition, there was a significant change in the level of gross debt, which rose to 104.2 billion (previously 98.8 bn) as of the end of 2016.

The *compensation account* balance was also adjusted. Parliament has set out the compensation account adjustment for the aggregate deviation relative to the recognition of premiums and discounts on an accrual basis in Article 66b paragraph 2 of the Financial Budget Act. The Federal Council requested a similar amendment for the withholding tax change of practice. The compensation account balance thus stood at 21.6 billion (previously 26.0 bn) as of the end of 2016.

Further explanations and details regarding the adjustments can be found in section B72.

2 RESULTS

21 FINANCING STATEMENT

The Confederation's financing statement ended 2017 with an ordinary surplus of 2.8 billion. The improvement relative to the previous year (+2.3 bn) was due primarily to the surge in withholding tax. Including extraordinary receipts, the overall fiscal balance came in at 3.0 billion.

OVERALL FISCAL BALANCE

CHF mn	FS	Bdg.	FS	Δ 2016-17	
	2016	2017	2017	absolute	%
Overall fiscal balance	949	-250	2 977		
Ordinary financing result	470	-250	2 799		
Ordinary receipts	67 441	68 418	71 087	3 646	5.4
Ordinary expenditure	66 970	68 668	68 288	1 318	2.0
Extraordinary receipts	478	-	177		
Extraordinary expenditure	-	-	-		

The figures for 2016 were adjusted (see section B72, Changes in accounting standards).

The *ordinary fiscal balance* for 2017 posted a surplus of 2.8 billion, whereas a deficit of 250 million had been expected in the budget. The budgeted result was exceeded mainly because of the sharp increase in withholding tax receipts. Lower than budgeted expenditure (0.4 billion) also contributed to the improved result.

In the *extraordinary budget*, Competition Commission (COMCO) fines totaling 99 million for the manipulation of financial market figures were recognized. In addition, there were further payments of 78 million from the debt restructuring liquidation of Swissair. Overall, extraordinary receipts led to a surplus of 3.0 billion in the financing statement.

Ordinary receipts were up by a hefty 5.4% on the previous year. Therefore, receipt growth significantly outstripped nominal GDP growth (1.4%). The increase can be explained primarily by the sharp rise in withholding tax (+2.2 bn relative to 2016). This benefited from the higher dividends distributed. In addition, the negative interest rate environment prompted taxpayers to postpone refund requests.

Ordinary expenditure was 2.0% higher than the previous year. The rise was largely attributable to the task areas education and research (full association in the EU research program Horizon 2020), social welfare (higher contributions to social insurance and cantons) and finances and taxes (especially cantons' share of withholding tax). Actual expenditure in 2017 was again lower than the scope approved by Parliament, albeit to a much lesser extent than in previous years: overall, budget underruns of around 400 million resulted.

DEVELOPMENT OF THE ORDINARY FISCAL BALANCE

in bn



■ Financial statements
■ Budget

The 2017 receipt surplus is part of a series of positive results (with the exception of 2014). While last year's results were better than expected in the budget primarily because of expenditure underruns, the trend of receipts in particular was responsible in fiscal 2017.

EXPENDITURE GROWTH SIGNIFICANTLY INFLUENCED BY TRANSITORY ITEMS

Transitory items are tax and duty shares which are not available to the Confederation for the performance of its tasks. The resulting expenditure is not controllable in the short term and escapes fiscal policy prioritization. The development of receipts is also transferred to the expenditure side via transitory items.

Such transitory items accounted for more than 13% of total ordinary expenditure. They rose around five times more than other expenditure (6.2% vs. 1.3%), largely due to the cantons' share of withholding tax. Excluding all transitory items, total expenditure growth was 1.3% instead of 2.0%.

DEVELOPMENT OF ORDINARY EXPENDITURE EXCLUDING TRANSITORY ITEMS

CHF mn	FS	Bdg.	FS	Δ 2016-17	
	2016	2017	2017	absolute	%
Ordinary expenditure incl. transitory items	66 970	68 668	68 288	1 318	2.0
Transitory items	8 741	8 798	9 287	546	6.2
Cantons' share direct federal tax	3 619	3 450	3 583		
Cantons' share withholding tax	554	620	1 008		
Cantons' share military service exemption tax	35	35	35		
Cantons' share heavy vehicle charge	473	520	529		
Cantons' share mineral oil tax	356	351	350		
VAT percent for AHV	2 307	2 397	2 369		
VAT supplement for IV	1 112	1 154	1 142		
Casino tax for AHV	285	272	272		
Ordinary expenditure excl. transitory items	58 229	59 870	59 001	771	1.3
Expenditure ratio (% GDP)					
incl. transitory items	10.2	10.4	10.2		
excl. transitory items	8.8	9.1	8.8		

The figures for 2016 were adjusted (see section B72, Changes in accounting standards).

22 DEBT BRAKE

The structural surplus of 3.4 billion in 2017 was caused primarily by exceptionally high withholding tax receipts. The debt brake requirements were thus respected.

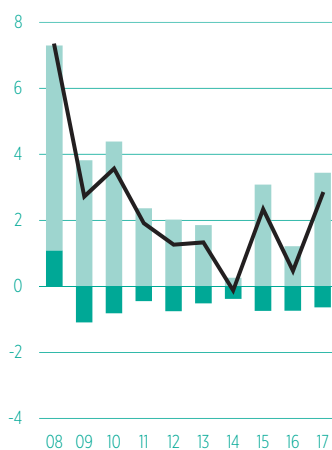
DEBT BRAKE REQUIREMENTS

CHF mn	FS	Bdg.	FS	Δ 2016-17	
	2016	2017	2017	absolute	%
1 Total receipts	67 919	68 418	71 265	3 345	4.9
2 Extraordinary receipts	478	-	177		
3 Ordinary receipts [3=1-2]	67 441	68 418	71 087	3 646	5.4
4 Cyclical factor	1.011	1.005	1.009		
5 Expenditure ceiling (Art. 13 FBA) [5=3x4]	68 183	68 760	71 727	3 544	5.2
6 Surplus/deficit required/permitted cyclically [6=3-5]	-742	-342	-640		
7 Extraordinary expenditure (Art. 15 FBA)	-	-	-		
8 Expenditure ceiling reduction (Art. 17 FBA, compensation account shortfall)	-	-	-		
9 Expenditure ceiling reduction (Art. 17b FBA, amortization account shortfall)	-	-	-		
10 Expenditure ceiling reduction (Art. 17c FBA, precautionary savings)	-	-	-		
11 Maximum admissible expenditure [11=5+7-8-9-10]	68 183	68 760	71 727	3 544	5.2
12 Total expenditure according to FS/budget	66 970	68 668	68 288	1 318	2.0
13 Deviation (Art. 16 FBA) [13=11-12]	1 212	92	3 439		

The figures for 2016 were adjusted (see section B72, Changes in accounting standards).

THE FEDERAL BUDGET FROM A DEBT BRAKE VIEWPOINT

in bn



■ Structural balance
■ Cyclical balance
— Ordinary fiscal balance

In 2017, the debt brake would have permitted a cyclical deficit of 0.6 billion. However, because of the exceptionally high withholding tax receipts, the ordinary fiscal balance amounted to 2.8 billion.

Swiss economic growth was less dynamic in 2017 than assumed in the budget. At 640 million, the deficit permissible cyclically was thus almost twice as high as planned (see row 6 in the table). Thanks to exceptionally high withholding tax receipts, a surplus of 2.8 billion was generated despite the unfavorable economic growth. Consequently, the debt brake requirements were met.

HIGH STRUCTURAL SURPLUS

The structural balance results from the difference between the deficit permissible cyclically (-0.6 bn) and the actual ordinary surplus (2.8 bn) and therefore amounted to 3.4 bn. The structural balance can also be derived from the difference between the maximum admissible expenditure (see row 13). This amount is added to the compensation account, i.e. the Confederation's debt is reduced by that amount in the medium term.

ADJUSTED 2016 FINANCIAL STATEMENTS

Various accounting standard changes were made in 2017. The figures for 2016 were adjusted to allow for prior year comparability (see section B 72). Based on the changed financing statement figures, the 2016 structural balance was 1,212 million (see row 13). The 2016 structural surplus would thus have been lower than reported in the previous year's financial statements (1,489 mn).

ADJUSTMENT OF THE 2016 COMPENSATION ACCOUNT AND 2017 CREDIT

The compensation account provides debt brake statistics and is used for measuring results. Consequently, the compensation account was also adjusted to reflect the accounting standard changes. The 2016 figure was therefore 21.6 billion (previously 26.0 bn). The correction was due to the fact that on the one hand large premiums occurred in the past and these are now spread over the term of the bonds, and on the other hand provisions were formed for future withholding tax refunds (see section B72). The structural surplus was credited to the compensation account for 2017, thereby bringing the balance at the end of 2017 to 25.1 billion.

COMPENSATION ACCOUNT BALANCE

CHF mn	FS 2016	FS 2017
14 Compensation account balance at 31.12. of preceding year	24 520	21 634
15 Expenditure ceiling reduction (Art. 17b FBA, amortization account shortfall) [=8]	-	-
16 Deviation (Art. 16 FBA) before correction	1 489	3 439
17 Compensation account balance at 31.12. [17=14+15+16]	26 008	25 073
Compensation account adjustment end 2016	-4 374	
Compensation account balance at 31.12.2016 incl. adjustment	21 634	

EXTRAORDINARY BUDGET AND AMORTIZATION ACCOUNT

Extraordinary receipts of 177 million were recognized in 2017. These came partly from fines ordered by the Competition Commission (COMCO) against several banks for the manipulation of financial market figures. In addition, extraordinary payments were made in relation to the debt restructuring liquidation of Swissair.

The amortization account provides extraordinary budget statistics. In 2017, the extraordinary receipts were added to the amortization account, thereby bringing its balance to 2.8 billion. This balance serves the purposes of counter-financing future extraordinary expenditure.

AMORTIZATION ACCOUNT BALANCE

CHF mn	FS 2016	FS 2017
18 Amortization account balance at 31.12. of preceding year	2 125	2 603
19 Extraordinary expenditure (Art. 17a FBA)	-	-
20 Extraordinary receipts (Art. 17a FBA)	478	177
21 Expenditure ceiling reduction (Art. 17b FBA, amortization account shortfall) [=9]	-	-
22 Expenditure ceiling reduction (Art. 17c FBA, precautionary savings) [=10]	-	-
23 Amortization account balance at 31.12. [23=18-19+20+21+22]	2 603	2 781

EXTRAORDINARY RECEIPTS AND EXPENDITURE

CHF mn	FS 2016	FS 2017
Extraordinary receipts	478	177
E190.0102 e.o. revenue mobile radio frequencies	144	-
E190.0103 e.o. revenue Swissair	165	78
E190.0105 e.o. revenue fines	170	99

23 STATEMENT OF FINANCIAL PERFORMANCE

The statement of financial performance ended with a revenue surplus of 4.7 billion, driven by the operating result and the result from financial interests (total +5.8 bn). The financial result adversely affected the financial statements.

STATEMENT OF FINANCIAL PERFORMANCE RESULT

CHF mn	FS	Bdg.	FS	Δ 2016-17	
	2016	2017	2017	absolute	%
Surplus/deficit	2 914	-305	4 736		
Operating result	729	-17	3 011		
Operating revenue	66 234	66 895	69 698	3 464	5.2
Operating expenses	65 505	66 911	66 687	1 182	1.8
Financial result	-1 286	-1 114	-1 026		
Result from interests	3 470	826	2 750		

The figures for 2016 were adjusted (see section B72, Changes in accounting standards).

Relative to the budget, the result for the year was 5.0 billion higher. This was attributable to the operating result (+3.0 bn) and the result from financial interests (+1.9 bn). The financial result barely deviated from the budget (+0.1 bn).

Relative to the previous year, the surplus for the year was 1.8 billion higher, which can be explained by the sharp increase in the operating result (+2.3 bn). Operating revenue rose by 3.5 billion, due mainly to the exceptional development of withholding tax. In contrast, operating expenses rose only moderately (+1.2 bn; 1.8%). Just over half of that increase was attributable to the cantonal and social insurance shares of federal receipts, which benefited from the robust receipt growth. The other sub-results, the financial result and the result from financial interests changed little year on year (-0.3 bn, or +0.7 bn).

Compared with the financing statement, the statement of financial performance was 1.8 billion higher. This difference was due primarily to unrealized gains on financial interests. Coming in at 2.8 billion, the increase in the Confederation's equity share (equity value) was stronger than the distributions to the Confederation (0.8 bn according to the financing statement). For details, see section B84, "Financing statement versus statement of financial performance". The differences between the financing statement and statement of financial performance were reduced because of accounting standard changes. For example, premiums from the issuance of bonds are now recognized in the financing statement on an accrual basis and withholding tax provisions are also shown in the financing statement (see section B72).

24 STATEMENT OF INVESTMENTS

The Confederation's investment expenditure declined slightly in 2017, due mainly to lower deposits in transportation funds.

STATEMENT OF INVESTMENTS

CHF mn	FS	Bdg.	FS	Δ 2016-17	
	2016	2017	2017	absolute	%
Statement of investments balance	-7 678	-7 772	-7 669		
Ordinary statement of investments balance	-7 844	-7 772	-7 748		
Investment receipts	711	712	648	-63	-8.8
Investment expenditure	8 554	8 484	8 396	-159	-1.9
Extraordinary investment receipts	165	-	78		
Extraordinary investment expenditure	-	-	-		

The figures for 2016 were adjusted (see section B72, Changes in accounting standards).

The statement of investments includes expenditure incurred for the acquisition and accumulation of assets which the Confederation requires for the performance of functions and are used over successive periods (administrative assets). Proprietary investments account for just over a third of this expenditure (especially motorways, defense equipment and buildings) and transfers account for just under two thirds (mainly investment contributions).

Investment receipts consist primarily of the cantons' transitory investment contributions of 500 million to the railway infrastructure fund (RIF), as well as proceeds from the sale of assets and repayments of investment contributions and loans.

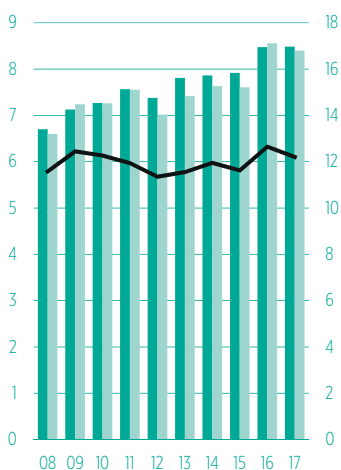
Ordinary investment receipts were down by just over 60 million on 2016. This was due essentially to lower loan repayments in the area of the promotion of housing construction (-20 mn) and the absence of the one-time receipts from the reorganization of Transports publics fribourgeois SA (-28 mn) in 2016.

Ordinary investment expenditure fell by around 160 million (-1.9%) year on year. This decline can be explained by the decrease in own investment contributions (-163 mn), with lower deposits in the RIF and infrastructure fund (-94 mn) and declining investments in education and research (-33 mn). In the case of other investments, the drop in financial interests (-44 mn) was offset by the increase in tangible fixed assets and inventories (+44 mn).

Extraordinary investment receipts of just under 80 million were recorded in 2017. These receipts came from the debt restructuring liquidation of Swissair, which had already led to extraordinary receipts totaling 300 million in 2015 and 2016.

DEVELOPMENT OF INVESTMENT EXPENDITURE

in bn and %



- Fin. stmt. in CHF bn (lhs)
- Bdg. in CHF bn (lhs)
- Fin. stmt. in % of ordinary expenditure (rhs)

The proportion of the federal budget accounted for by investments has remained largely constant over the past decade. The rise from 2016 onward can be explained by the increase in contributions for railway infrastructure decided within the framework of the FER1 proposal.

25 CASH FLOW STATEMENT

The cash inflow from operating activities amounted to 11.6 billion. 3.9 billion of this was used for investing and financing activities.

CASH FLOW STATEMENT

CHF mn	FS	FS	Δ 2016-17	
	2016	2017	absolute	%
Total cash flow	-3 683	7 706	11 389	309.2
Cash flow from operating activities	3 151	11 604	8 454	268.3
Cash flow from investing activities	-2 894	-2 669	225	7.8
Cash flow from financing activities	-3 940	-1 230	2 711	68.8

The figures for 2016 were adjusted (see section B72, Changes in accounting standards).

At 11.6 billion, the *cash inflow from operating activities* was significantly higher than the previous year's figure of 3.2 billion (+8.5 bn). The higher cash inflows from the area of tax (+8.8 bn) made a major contribution to this result. In comparison, tax receipts recorded lower growth in the financing statement (+3.4 bn), as it also takes account of financial transactions not affecting cash. These include withholding tax accruals, deferrals and provisions (4.1 bn), as well as non-cash tax receivables and liabilities (net 1.3 bn).

The *cash flow from investing activities* shows those cash flows that increase non-current assets in the statement of financial position or result from the sale of non-current assets. Consequently, unlike with the statement of investments, cash flows are generated not only by changes in administrative assets but also by changes in non-administrative assets. Another deviation concerns investment contributions. They are shown under operating activities in the cash flow statement, as non-current assets are not created for the Confederation with investment contributions. Most of the net cash outflow was used for tangible and intangible fixed assets (-3.0 bn). As a result of negative interest rates, the investment opportunities for the high cash holdings remained limited, i.e. cash and other liquid assets were not invested in financial investments.

The *cash flow from financing activities* was attributable mainly to the net cash outflow from bonds (-1.3 bn). Moreover, a bond worth 6.8 billion matured at the start of 2018, which is why a high level of liquidity was built up at the end of 2017.

CASH FUND STATEMENT

CHF mn	FS	FS	Δ 2016-17	
	2016	2017	absolute	%
Cash at 01.01.	10 587	6 904	-3 683	-34.8
Cash at 31.12.	6 904	14 610	7 706	111.6

STATEMENT OF CHANGE IN GROSS DEBT

CHF mn	FS	FS	Δ 2016-17	
	2016	2017	absolute	%
Gross federal debt at 01.01.	-108 386	-104 192	4 194	3.9
Debt reduction (+) / new debt (-) affecting cash	3 940	1 230	-2 711	-68.8
Debt reduction (+) / new debt (-) not affecting cash	253	-2 239	-2 493	-984.3
Gross federal debt at 31.12.	-104 192	-105 202	-1 010	-1.0

Gross debt rose by 1.0 billion. On the one hand, there was a monetary reduction of 1.2 billion in interest-bearing debt resulting from financing activities, and on the other, non-interest-bearing debt rose by a net amount of 2.2 billion. This includes current liabilities (+2.6 bn) and revaluations of financial liabilities (-0.4 bn).

26 STATEMENT OF FINANCIAL POSITION

Net assets/equity increased by 12.1 billion in the year under review. This was due to the positive results for the year, as well as unrealized gains on employee retirement benefits, which were recognized directly in net assets/equity.

STATEMENT OF FINANCIAL POSITION

CHF mn	FS		Δ 2016-17	
	2016	2017	absolute	%
Assets	148 635	163 900	15 265	10.3
Non-administrative assets	28 225	37 129	8 904	31.5
Administrative assets	120 410	126 771	6 362	5.3
Liabilities and equity	148 635	163 900	15 265	10.3
Short-term liabilities	37 207	43 159	5 951	16.0
Long-term liabilities	102 061	99 305	-2 756	-2.7
Net assets/equity	9 366	21 436	12 070	128.9
Restricted funds in net assets/equity	7 421	7 350	-70	-0.9
Reserves from global budget	229	172	-57	-25.0
Accumulated surplus	1 717	13 915	12 198	710.4

The figures for 2016 were adjusted (see section B72, Changes in accounting standards).

Non-administrative assets rose by 8.9 billion, due largely to the rise in cash and cash equivalents (+7.7 bn) and receivables (+1.3 bn).

The 6.4 billion increase in *administrative assets* was attributable mainly to the higher valuation of financial interests (+6.2 bn). This includes the financial interest result recognized in the statement of financial performance (+2.8 bn) less profit distributions received (-0.8 bn), as well as the lower employee retirement benefits of federal companies (+4.2 bn). The latter are recognized directly in net assets/equity without affecting the statement of financial performance.

Short-term liabilities were up by 6.0 billion, due primarily to higher liabilities and accruals and deferrals (+3.9 bn), whereby a substantial part concerned withholding tax (+3.6 bn). Short-term financial liabilities rose by 1.3 billion.

Long-term liabilities were down by 2.8 billion year on year. Opposing factors were decisive here. While long-term financial liabilities (-2.9 bn) and employee retirement benefits (-2.6 bn) decreased, long-term provisions (+2.0 bn) for future withholding tax refunds increased.

Net assets/equity increased by 12.1 billion. The surge was driven by the result in the statement of financial performance (+4.7 bn) and the items that were recognized directly in net assets/equity (+7.3 bn). The effects of items recognized directly in net assets/equity were largely attributable to unrealized actuarial gains on the revaluation of the Confederation's employee retirement benefits and financial interests (2.9 bn and 4.2 bn, respectively). The unrealized gains resulted from more favorable demographic and financial parameters. The items recognized directly in net assets/equity can be seen in the statement of net assets/equity (see section B6).

27 DEBT

During the year under review, gross debt increased by 1.0 billion to 105 billion. In contrast, net debt decreased by 7.9 billion, as substantial liquidity was built up to redeem a bond. Gross debt was revalued in 2016.

DEVELOPMENT OF FEDERAL DEBT

CHF mn	2013	2014	2015	2016	2017
Gross debt	111 638	108 797	103 805	104 192	105 202
Net debt	78 160	76 593	71 294	76 248	68 358

The figures for 2016 were adjusted (see section B72, Changes in accounting standards).

Gross debt comprises current liabilities as well as short- and long-term financial liabilities. The 1.0 billion increase in gross debt was due mainly to the rise in current liabilities (+2.6 bn) and short-term financial liabilities (+1.3 bn). In contrast, long-term financial liabilities were down by 2.9 billion.

Net debt is defined as gross debt less non-administrative assets, which could be used to repay debt if necessary. Net debt decreased by 7.9 billion during the year under review due to the 8.9 billion rise in non-administrative assets (cash and cash equivalents +7.7 bn; receivables +1.3 bn). Liquidity was built up at the end of 2017 to redeem a bond worth 6.8 billion maturing at the start of 2018.

Due to *accounting standard changes*, gross debt was revalued at the end of 2016. It now amounts to 104.2 billion instead of the 98.8 billion shown in last year's financial statements. The transition to accrual accounting for premiums was the main reason for this increase. This lowers future interest expenditure, but increases gross debt (see section B72).

DEBT AND DEBT RATIO

in bn and %



- Net debt in bn (lhs)
- Gross debt in bn (lhs)
- Gross debt ratio in % of GDP (rhs)
- - Net debt ratio in % of GDP (rhs)

Gross debt rose by 1 billion in 2017. In contrast, net debt fell by 7.9 billion because of the sharp increase in non-administrative assets (+8.9 bn). The gross debt ratio and net debt ratio reached 15.7% and 10.2% of GDP, respectively.

28 INDICATORS

The most significant changes in the Confederation's indicators in 2017 concerned the decline in the net debt ratio, net interest expense and unutilized credits.

FEDERAL INDICATORS

In %	FS 2012	FS 2013	FS 2014	FS 2015	FS 2016	FS 2017
Expenditure ratio	9.9	10.0	9.9	10.0	10.2	10.2
<i>Ordinary expenditure (in % of nom. GDP)</i>						
Tax ratio	9.4	9.5	9.3	9.7	9.6	10.0
<i>Ordinary tax receipts (in % of nom. GDP)</i>						
Receipt ratio	10.1	10.2	9.8	10.3	10.2	10.6
<i>Ordinary receipts (in % of nom. GDP)</i>						
Deficit/surplus ratio	+ 0.2	+ 0.2	- 0.0	+ 0.4	+ 0.1	+ 0.4
<i>Ordinary fiscal balance (in % of nom. GDP)</i>						
Gross debt ratio	17.9	17.5	16.7	15.9	15.8	15.7
<i>Gross debt (in % of nom. GDP)</i>						
Net debt ratio	13.0	12.2	11.8	10.9	11.6	10.2
<i>Debt less non-administrative assets (in % of nom. GDP)</i>						
Net interest burden	2.2	2.9	2.6	1.6	2.1	1.5
<i>Net interest expenditure (in % of ordinary receipts)</i>						
Proportion of investment	11.3	11.5	11.9	11.6	12.6	12.2
<i>Investment expenditure (in % of ordinary expenditure)</i>						
Proportion of transfers	76.9	75.9	76.7	77.5	77.8	78.6
<i>Transfer expenditure (in % of ordinary expenditure)</i>						
Share in restricted taxes	22.7	22.1	22.3	21.0	21.6	20.9
<i>Restricted taxes (in % of ordinary tax receipts)</i>						
Supplementary credits	0.4	0.8	0.5	0.6	0.8	0.4
<i>Supplementary credits (in % of budget)</i>						
Credit underruns	-4.7	-3.4	-4.4	-4.0	-3.1	-2.0
<i>Credit underruns (in % of budget)</i>						

The figures for 2016 were adjusted (see section B72, Changes in accounting standards).

EXPENDITURE RATIO

In 2017, ordinary expenditure grew by 2.0% p.a. and nominal GDP by 1.4% p.a. The expenditure ratio stagnated relative to the previous year and thus stood at 10.2% in 2017. The expenditure ratio is a summary indicator of the extent of the Confederation's activity in relation to the economy.

TAX RATIO AND RECEIPT RATIO

Ordinary tax receipts grew by 5.3% in 2017, which was well above the nominal GDP growth rate. The tax ratio thus climbed to 10.0% in 2017. That increase was influenced mainly by the sharp rise in withholding tax receipts, which was also the reason for the increase in the receipt ratio.

DEFICIT/SURPLUS RATIO

Fiscal 2017 ended with an ordinary surplus of 2.8 billion for the Confederation, which was 2.3 billion higher than the previous year. The surplus ratio thus reached 0.4% in 2017, versus 0.1% in 2016. The change in this ratio reflects primary stimulus.

GROSS AND NET DEBT RATIOS

The Confederation's gross debt stood at 1 billion relative to 2016, representing an increase of 1.0%. In view of nominal GDP growth, the gross debt ratio was at the same level as the previous year and therefore stood at 15.7% in 2017. Such a low value had not been seen since 1992, when the gross debt ratio was 14.5%.

In 2017, net debt decreased by 7.9 billion year on year. This decrease was linked to the increase in non-administrative assets (+8.9 bn). Relative to 2016, the net debt ratio thus went from 11.6% to 10.2% in 2017 (see section A27).

NET INTEREST EXPENSE

Net interest expense as a percentage of ordinary receipts went from 2.1% in 2016 to 1.5% in 2017. Both lower interest expenditure and higher total ordinary receipts contributed to this drop. The Confederation thus had to devote 1.5% of its receipts to net interest financing.

PROPORTION OF INVESTMENT

In 2017, investment expenditure decreased by 1.6%, or 139 million, year on year. This was largely due to a decrease in investment expenditure in the area of public transportation. The proportion of investment went from 12.6% in 2016 to 12.2% in 2017 (see section A24).

TRANSFER RATIO

In 2017, transfer expenditure increased by 1.6 billion year on year, representing an increase of 3.0%. Compared with 2016, the transfer ratio climbed to 78.6%.

The Confederation's total transfer expenditure amounted to 53.6 billion in 2017; 90% of this was current expenditure and 10% was investment expenditure.

PROPORTION OF RESTRICTED TAX RECEIPTS

Restricted tax receipts grew at a slower pace than tax receipts (1.6% vs. to 5.3%). This explains why this proportion dropped to 20.9% relative to the previous year.

Some of the Confederation's receipts are earmarked for the performance of specific tasks. If they guarantee the financing of certain expenditure, restricted receipts limit the Confederation's budgetary room for maneuver. The main areas concerned at present include AHV (especially the percentage of VAT for AHV and tobacco duty) and road transportation (e.g. mineral oil tax on motor fuel). Additional information on restricted funds recognized under liabilities and net assets/equity is provided in the notes (see section B82/34).

SUPPLEMENTARY CREDITS IN % OF THE BUDGET

In 2017, supplementary credits amounted to 0.4% of the budgeted expenditure. This percentage was lower than its 10-year average of 0.9%. Once again, supplementary credits were lower than unutilized credits. This implies that the level of expenditure in 2017 was again lower than had been expected in the budget.

UNUTILIZED CREDITS IN % OF BUDGET

The share of unutilized credits with financial implications in the budgeted expenditure was -2.0% in 2017, which was below its average for the last ten years (-3.7%). This can be explained in particular by the fact that, since 2017, the interest payable estimate has become more precise due to a new accounting practice whereby premiums are spread over the entire term of bonds in the financing statement.

INTERNATIONAL COMPARISON

When compared internationally, the Swiss public finance indicators (Confederation, cantons, communes and social insurance) are still among the lowest, which constitutes an important locational advantage.

The *tax-to-GDP ratio*, which measures total tax receipts (tax and social insurance charges) in relation to GDP, amounted to 27.8% in 2016. Based on the provisional results, the ratio is likely to have reached 28.6% in 2017, thereby staying below the 30% mark.

Coming in at 33%, Switzerland's *general government expenditure ratio*, defined as government expenditure in relation to GDP, remained one of the lowest in the OECD area in 2017.

The overall fiscal balance of CHF 8.2 billion resulted in a *surplus ratio* of 1.2%. Consequently, Switzerland was one of the few countries, together with Norway, Sweden and Germany, to have posted a general government surplus of more than 1% in 2017.

Government debt remained low by international standards both with reference to the Maastricht definition and in terms of liabilities. Coming in at 29.7%, the *debt ratio* was still significantly below the 60% mark which is important for the euro area (see chart).

The OECD data and estimates (Economic Outlook 102 and Revenue Statistics, November 2017) are used for international comparisons of public finances. The information for Switzerland is based on the data and estimates of the Federal Finance Administration's Financial Statistics Section (as of March 8, 2018).

INTERNATIONAL COMPARISON OF PUBLIC FINANCE INDICATORS FOR 2017

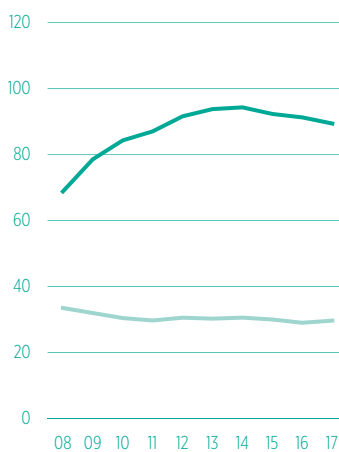
in % of GDP	Tax-to-GDP ratio	General government expenditure ratio	Deficit/surplus ratio	Debt ratio	Gross debt ratio
Switzerland	27.8	33.0	1.2	29.7	42.5
EU - euro area	n.s.	47.2	-1.1	89.4	107.1
Germany	37.6	43.8	1.1	64.3	72.4
France	45.3	56.1	-2.9	97.5	124.2
Italy	42.9	49.2	-2.1	131.6	157.0
Austria	42.7	49.6	-0.8	78.0	101.1
Belgium	44.2	52.4	-1.7	103.6	125.4
Netherlands	38.8	43.1	0.6	59.6	73.1
Norway	38.0	50.2	5.4	n.s.	42.7
Sweden	44.1	49.0	1.5	39.9	50.0
United Kingdom	33.2	40.5	-2.3	86.8	121.0
United States	26.0	37.6	-4.6	n.s.	105.2
Canada	31.7	40.1	-1.6	n.s.	97.4
OECD Ø	34.3	40.0	-2.6	n.s.	111.8

Notes:

- Debt ratio: debt in accordance with the Maastricht definition
- Gross debt ratio: debt in accordance with the IMF definition (liabilities without financial derivatives)
- Tax-to-GDP ratio: based on figures for 2016

SWISS AND EURO AREA DEBT RATIOS

in % of GDP



- Euro area debt ratio
- Swiss debt ratio

From 2008 onward, shortly after the start of the financial crisis, government debt literally soared in the euro area. In contrast, Switzerland's debt ratio remained far below the 60% mark which is relevant for the countries of the euro area.

3 DEVELOPMENT OF RECEIPTS AND EXPENDITURE

31 DEVELOPMENT OF RECEIPTS

In 2017, ordinary receipts were up by 5.4%, or 3.6 billion, on the previous year. This significant increase was influenced mainly by the rise in withholding tax receipts (+2.5 bn).

DEVELOPMENT OF RECEIPTS

CHF mn	FS	Bdg.	FS	Δ FS17 at		Δ FS17 at
	2016	2017	2017	absolute	FS16 %	Bdg.17 absolute
Ordinary receipts	67 441	68 418	71 087	3 646	5.4	2 669
Tax receipts	63 113	63 939	66 485	3 372	5.3	2 546
Direct federal tax natural persons	10 409	10 742	10 332	-77	-0.7	-410
Direct federal tax legal entities	10 648	9 392	10 612	-36	-0.3	1 220
Withholding tax	5 733	6 212	8 226	2 494	43.5	2 014
Stamp duty	2 021	2 515	2 434	414	20.5	-81
Value added tax	22 458	23 260	22 902	445	2.0	-358
Other consumption taxes	6 931	6 813	6 847	-85	-1.2	34
Misc. tax receipts	4 914	5 005	5 131	217	4.4	126
Nontax receipts	4 328	4 479	4 602	274	6.3	123

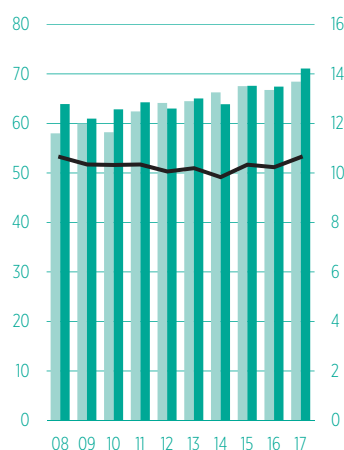
The figures for 2016 were adjusted (see section B72, Changes in accounting standards).

In 2017, receipts surged by 5.4% (+3.6 bn), due essentially to the sharp increase in withholding tax receipts (+2.5 bn). VAT and stamp duty receipts were up too. The increase in ordinary receipts between 2016 and 2017 thus clearly outstripped the nominal GDP growth of 1.4%. The difference can be partly explained by special factors (see below). After adjusting for special factors, total ordinary receipts posted an increase of 1.7%, which was still higher than nominal GDP growth. In terms of details, the following can be observed:

- Regarding *taxes on the income of natural persons*, receipts declined by 0.7% in 2017 despite the impact of the deduction for transportation costs under the regime for the financing and expansion of the railway infrastructure (FERI). This was due primarily to the decline in advance payments relative to the previous year given the interest rate cut from 0.25% to 0.0% in 2017.
- In 2017, receipts from *taxes on the net revenue of legal entities* were down by 0.3%. For the first time since the SNB's introduction of negative interest rates in 2015, companies' advance payments were lower than the previous year's figure. This was also largely due to the lowering of the interest rate paid in 2017, which reduced the incentive for companies to pay their taxes in advance.
- *Withholding tax* receipts soared by 43.5% (+2.5 bn) during the year under review. Receipts reached a record level of 8.2 billion in 2017, due essentially to an increase in dividend tax receipts and the fact that refunds rose very little.
- *Value added tax (VAT)* receipts climbed by 2.0%, or almost 450 million, in 2017. This was greater than the increase in nominal GDP (1.4%) and can be explained in particular by the rise in import tax receipts, which were up by 370 million year on year. The franc's depreciation in the course of the year led to higher import prices.

DEVELOPMENT OF ORDINARY RECEIPTS

in bn and % of GDP



■ Fin. stmt. in CHF bn (lhs)
 ■ Bdg. in CHF bn (lhs)
 — Bdg. in % of GDP (rhs)

In 2017, ordinary receipts exceeded the 70 billion mark, and their percentage of GDP rose to 10.6%.

- *Stamp duty* receipts surged by a quite substantial 20.5% (+414 mn). The recapitalization of a few large companies triggered an increase in issue tax receipts. Moreover, transfer stamp tax receipts were up too, due mainly to the increase in trading revenue on the Swiss stock exchange.
- Concerning *other consumption taxes*, the decline in mineral oil tax receipts which started in 2008 continued in 2017 (-2.0%). This can be explained by various factors, including the growing use of biogenic fuels exempt from tax and the development of more efficient vehicle technologies. In 2017, tobacco duty receipts were slightly higher than the previous year. The decrease in cigarettes sales was tempered particularly by the decline in shopping tourism following the weakening of the Swiss franc.
- Royalties and concessions, financial receipts, other current receipts and investment receipts are recognized under *nontax receipts*. Their increase was due primarily to the additional profit of 243 million distributed by the SNB in 2017.

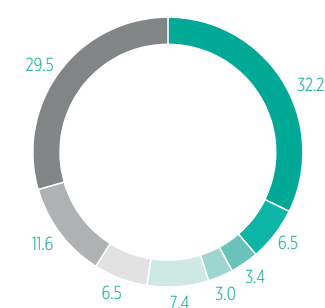
SPECIAL FACTORS TAKEN INTO ACCOUNT WHEN ADJUSTING THE DEVELOPMENT OF RECEIPTS

CHF mn	FS 2016	FS 2017	Δ absolute	2016-17 %
Ordinary receipts	67 441	71 087	3 646	5.4
Special factors				
Direct federal tax: FERi travel cost deduction	27	209		
Withholding tax: refund of interest on arrears	-483	-		
Mineral oil tax: CO ₂ Act	-	-101		
Heavy vehicle charge: abolition of discounts and declassification of vehicles	-	165		
Nontax receipts: SNB profit distribution	-	243		
Withholding tax: deviation from the trend	317	1 828		
Total net increase (+) / decrease (-) in receipts	-139	2 344		
Adjusted ordinary receipts (excl. special factors)	67 580	68 743	1 163	1.7

The figures for 2016 were adjusted (see section B72, Changes in accounting standards).

2017 RECEIPTS

Shares in %



- Value added tax 22 902 mn
- Mineral oil tax 4 595 mn
- Stamp duty 2 434 mn
- Tobacco duty 2 139 mn
- Other tax receipts 5 245 mn
- Nontax receipts 4 602 mn
- Withholding tax 8 226 mn
- Direct federal tax: 20 944 mn

VAT and direct federal tax are the main sources of receipts. In 2017, they together accounted for 61.7% of total receipts.

DEVELOPMENT AFTER ADJUSTING FOR SPECIAL FACTORS

Experience shows that, in the long term, the Confederation's total receipts develop in proportion to nominal GDP, i.e. the growth of receipts displays a long-term elasticity of 1 with respect to nominal GDP growth. This benchmark makes it possible to assess the plausibility of budgeted receipt items. However, several categories of receipts can show more or less substantial structural breaks, which must be adjusted before comparing the development of overall receipts with GDP growth. These special factors are shown in the table for the years 2016 and 2017.

In net terms, receipts have to be revised upward by 139 million in 2016 and downward by 2.3 billion in 2017. In particular, it is worth noting that withholding tax receipts dropped in 2016 due to the refund of interest on arrears, that direct federal tax receipts were driven upward by the introduction of the deduction for transportation costs under the FERi system and that the SNB's profit distribution in 2017 was 243 million higher than the amount normally paid. Adjusted for structural breaks and the typical volatility of withholding tax, receipts rose by 1.7% between 2016 and 2017.

QUALITY OF ESTIMATES

Ordinary receipts were 3.9% (2.7 bn) higher than the budgeted level. This discrepancy was attributable primarily to the estimate for withholding tax receipts and was greater than the average forecasting error of 1.8% since the introduction of the debt brake in 2003. A detailed analysis of the quality of receipt estimates is provided in section A79.

32 DEVELOPMENT OF EXPENDITURE BY TASK AREA

Education and research and social welfare posted the strongest growth in 2017 (+0.4 bn each). Federal expenditure amounted to 68.3 billion, which was 1.3 billion (2.0%) more than the previous year.

DEVELOPMENT OF EXPENDITURE BY TASK AREA

CHF mn	FS 2016	Bdg. 2017	FS 2017	Δ FS17 at FS16 absolute	Δ FS17 at FS16 %	Δ FS17 at Bdg.17 absolute
Expenditure by task area	66 970	68 668	68 288	1 317	2.0	-380
Social welfare	22 544	23 241	22 908	364	1.6	-333
Finances and taxes	9 862	9 578	10 003	142	1.4	425
Transportation	9 107	9 208	9 053	-54	-0.6	-155
Education and research	7 167	7 684	7 573	405	5.7	-111
National defense	4 585	4 736	4 713	128	2.8	-23
Agriculture and food	3 658	3 681	3 652	-6	-0.2	-29
International relations – international cooperation	3 544	3 613	3 529	-15	-0.4	-84
Other task areas	6 504	6 927	6 858	353	5.4	-70

The figures for 2016 were adjusted (see section B72, Changes in accounting standards).

The 2017 increase in federal expenditure can be largely explained by a few factors:

- Full association in the EU research program Horizon 2020 resulted in a year-on-year increase in expenditure of 275 million. Other expenditure on education and research also experienced strong growth (+130 mn), with a focus on research.
- One-time expenditure of 215 million was necessary to honor sureties in the area of oceangoing vessels (other task areas/economic relations).
- In addition, there were higher contributions to social insurance and cantons in the area of social welfare (+364 mn), growing defense expenditure in the national defense task area (+128 mn) and higher expenditure for finances and taxes (+142 mn), particularly due to higher withholding tax receipts.

The 2017 budget was undershot by 0.4 billion (0.6%). The largest budget underruns occurred in the area of social welfare (333 mn; due mainly to the lower number of asylum applications), transportation (155 mn; investment budgets not fully utilized) and education and research (111 mn). In contrast, finances and taxes (425 mn; mainly cantons' share of withholding tax) and the economic relations task area (201 mn; sureties for ocean-going vessels) came in significantly higher than the original budget.

SOCIAL WELFARE

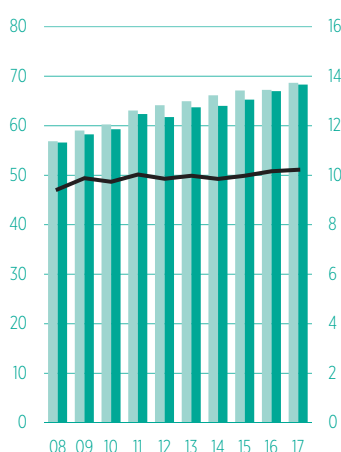
Social welfare covers in particular social insurance contributions, benefits for the cantons in the social welfare area and migration expenditure. Compared with the previous year, expenditure increased by 364 million, due essentially to higher expenditure on old-age and survivors' insurance (+193 mn), disability insurance (+102 mn) and health insurance (premium reductions; +134 mn). In contrast, migration expenditure declined because of the lower number of asylum applications (-47 mn).

FINANCES AND TAXES

The task area includes third parties' shares of federal receipts (especially direct federal tax, withholding tax, mileage-related heavy vehicle charge), asset and debt management expenditure and fiscal equalization. Third-party shares were up by 362 million on the previous year, due especially to high withholding tax receipts. The Confederation also spent more on fiscal equalization than in 2016 (+35 mn). In contrast, it continued to benefit from low interest rates and the reduction in debt and accordingly had to spend less on funding (-255 mn) than the previous year.

DEVELOPMENT OF ORDINARY EXPENDITURE

in bn and % of GDP



- Fin. stmt. in CHF bn (lhs)
- Bdg. in CHF bn (lhs)
- Fin. stmt. in % of GDP (rhs)

Expenditure growth (+2.0%) outstripped nominal GDP growth (+1.4%). The expenditure ratio's upward trend was thus confirmed.

TRANSPORTATION

Approximately two thirds of transportation expenditure was attributable to rail and public transportation, just under one third to road transportation and almost 2% to air transportation. Four budgetary credits covered more than 80% of expenditure: deposits in the infrastructure fund (especially motorways, urban transportation) and railway infrastructure fund, subsidies for regional passenger transportation and investments in motorways. As a result of savings measures, the deposit in the infrastructure fund was 168 million lower than the previous year, while the deposit in the railway infrastructure fund was 103 million higher.

EDUCATION AND RESEARCH

The surge in education and research expenditure was largely due to Switzerland's renewed full participation in the EU research framework agreement Horizon 2020 from January 1, 2017 (+275 mn). In addition, the ETH Domain in particular benefited from significantly higher contributions than the previous year (+89 mn).

NATIONAL DEFENSE

In the wake of the further development of the Armed Forces, expenditure on the Armed Forces increased by 150 million; this was due to higher defense expenditure (+104 mn) and higher real estate investments (+47 mn). In contrast, the part of the UN contribution counted as national defense was 25 million lower than in 2016.

AGRICULTURE AND FOOD

Direct payments (2.8 bn) accounted for three quarters of agriculture expenditure and remained stable year on year (+0.2%). The slight drop in the task area was attributable to savings measures (lower deposits in the Fonds de Roulement for agricultural investment credits) and lower cantonal investments in structural improvements.

INTERNATIONAL RELATIONS – INTERNATIONAL COOPERATION

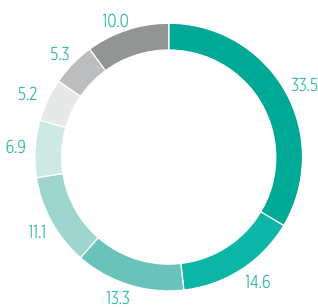
The international relations area includes not only expenditure on foreign representations, the FDFA's central offices in Bern and contributions to international organizations, but also development assistance and the EU enlargement contribution. Expenditure was down slightly on the previous year (-15 mn), due mainly to the lower contribution to the UN and one-time reductions in development assistance expenditure.

OTHER TASK AREAS

The six other task areas – institutional and financial conditions, public order and security, culture and leisure, health, protection of the environment and spatial planning, economic relations – together accounted for a tenth of the Confederation's expenditure. The key growth drivers compared with the previous year included the honoring of sureties in the area of oceangoing vessels (+215 mn) and the higher redistribution of CO₂ and VOC incentive fees (+83 mn).

2017 EXPENDITURE BY TASK AREA

Shares in %



- Social welfare 22 908 mn
- Finances and taxes 10 003 mn
- Transportation 9 053 mn
- Education and research 7 573 mn
- National defense 4 713 mn
- International relations 3 529 mn
- Agriculture and food 3 652 mn
- Other tasks 6 858 mn

The three largest task areas – social welfare, finances and taxes, transportation – are also those where expenditure is the most strictly earmarked.

4 OUTLOOK

A strong upswing is expected in 2018. The fiscal policy outlook is favorable too. The February 2018 assessment points to structural surpluses for 2019 to 2021, but caution is nevertheless advisable: the good outlook is due to an estimate correction regarding withholding tax and constitutes a fragile basis. And the tax reforms announced far exceed the scope for action, which makes prioritization necessary.

The Swiss economy's recovery gathered momentum in the second half of 2017 – parallel to the franc's depreciation. According to the forecasts of the federal government's expert group, rising investments and exports will continue to boost economic growth in 2018, while consumption will increase at a below-average rate. Following the weakening of Swiss economic growth as a result of the franc's appreciation in 2011 and 2015, the outlook is good for the first time since the 2009 recession, meaning that sustained higher growth can be achieved.

The prospects for the federal budget are good too. In particular, the high withholding tax receipts seen in 2017 have a direct impact on the receipt estimates for subsequent years. The withholding tax estimate obtained using a statistical smoothing process has been increased by 700 million to 900 million per year. However, this estimate is associated with greater uncertainty than usual. FFA simulations show that a fall in receipts to less than 6 billion in 2018 and 2019 would erode the positive estimate correction again.

Overall, the fiscal policy assessment of February 2018 shows structural surpluses of just over 1 billion in 2019/2020 and 1.9 billion in 2021. Aside from the development of receipts, the rejection of the 2020 retirement provision reform has also provided relief for the budget. Against this backdrop and for the first time in years, no savings measures will be necessary in the upcoming budget process for 2019. From 2020 onward, the figures already include tax proposal 17, which will put a burden of around 1 billion on the federal budget. However, current forecasts indicate it can be financed without savings measures. The Federal Council believes tax proposal 17 is urgent and important in order to keep Switzerland attractive as a business location.

On the one hand, the fundamentally positive outlook is clouded by the above-mentioned uncertainty about the future development of withholding tax and, on the other hand, by the high additional burdens possible, which are not yet factored into the above figures. These include in particular announced tax reforms such as the abolition of stamp duty, the elimination of the penalty for married couples and the abolition of industry customs duties, which together could amount to a total of up to 4 billion. Factoring in these projects, there is no more leeway this year, but rather a structural deficit. Against this backdrop, tax policy priorities must be clarified as soon as possible.

ANNUAL FINANCIAL STATEMENTS

B

STATEMENT OF FINANCIAL PERFORMANCE

CHF mn	FS	Bdg.	FS	Δ 2016-17	
	2016	2017	2017	absolute	%
Surplus/deficit	2 914	-305	4 736		
Operating result	729	-17	3 011		
Operating revenue	66 234	66 895	69 698	3 464	5.2
Tax revenue	63 099	63 939	66 413	3 314	5.3
Direct federal tax natural persons	10 409	10 742	10 332	-77	-0.7
Direct federal tax legal entities	10 648	9 392	10 612	-36	-0.3
Withholding tax	5 733	6 212	8 226	2 494	43.5
Stamp duty	2 021	2 515	2 434	414	20.5
Value added tax	22 458	23 260	22 904	446	2.0
Other consumption taxes	6 950	6 813	6 775	-175	-2.5
Misc. tax revenue	4 881	5 005	5 130	249	5.1
Royalties and concessions	794	863	1 041	247	31.1
Other revenue	1 951	2 060	2 065	113	5.8
Net revenue from special financing in liabilities	28	33	19	-9	-32.6
Revenue from extraordinary transactions	362	-	161		
Operating expenses	65 505	66 911	66 687	1 182	1.8
Operating expenses	13 587	13 967	13 628	42	0.3
Personnel expenses	5 677	5 684	5 922	245	4.3
General, administrative and operating expenses	4 083	4 513	3 873	-210	-5.1
Defense expenses	761	868	873	113	14.8
Deprec., amortiz. tangible/intangible fixed assets	3 066	2 902	2 960	-106	-3.4
Transfer expenses	51 724	52 882	52 902	1 178	2.3
Third parties' share in federal income	9 499	9 652	10 129	630	6.6
Compensation to public bodies	1 596	1 684	1 590	-7	-0.4
Contributions to own institutions	3 699	3 388	3 966	267	7.2
Contributions to third parties	15 371	16 178	15 578	207	1.3
Contributions to social insurance	16 715	17 087	16 978	263	1.6
Value adjustment on investment contributions	4 818	4 970	4 655	-163	-3.4
Value adjustment on loans and financial interests	24	-76	6	-18	-73.9
Net expense for special financing in liabilities	195	62	156	-38	-19.6
Extraordinary transaction expenses	-	-	-		
Financial result	-1 286	-1 114	-1 026		
Financial revenue	474	358	468	-6	-1.2
Financial expense	1 760	1 472	1 494	-266	-15.1
Interest expense	1 579	1 412	1 400	-179	-11.3
Other financial expense	181	60	94	-87	-48.2
Result from interests	3 470	826	2 750		

The figures for 2016 were adjusted (see section B72, Changes in accounting standards).

FINANCING STATEMENT

CHF mn	FS	Bdg.	FS	Δ 2016-17	
	2016	2017	2017	absolute	%
Overall fiscal balance	949	-250	2 977		
Ordinary fiscal balance	470	-250	2 799		
Ordinary receipts	67 441	68 418	71 087	3 646	5.4
Tax receipts	63 113	63 939	66 485	3 372	5.3
Direct federal tax natural persons	10 409	10 742	10 332	-77	-0.7
Direct federal tax legal entities	10 648	9 392	10 612	-36	-0.3
Withholding tax	5 733	6 212	8 226	2 494	43.5
Stamp duty	2 021	2 515	2 434	414	20.5
Value added tax	22 458	23 260	22 902	445	2.0
Other consumption taxes	6 931	6 813	6 847	-85	-1.2
Misc. tax receipts	4 914	5 005	5 131	217	4.4
Royalties and concessions	824	831	1 062	237	28.8
Financial receipts	1 093	1 116	1 184	91	8.4
Financial interest receipts	828	826	828	0	0.0
Other financial receipts	265	290	357	91	34.5
Other current receipts	1 700	1 820	1 708	8	0.5
Investment receipts	711	712	648	-63	-8.8
Ordinary expenditure	66 970	68 668	68 288	1 318	2.0
Operating expenditure	10 170	10 649	10 101	-69	-0.7
Personnel expenditure	5 465	5 684	5 619	154	2.8
General, administrative and operating expenditure	4 001	4 097	3 747	-254	-6.3
Defense expenditure	705	868	735	31	4.4
Current transfer expenditure	46 612	48 063	48 393	1 781	3.8
Third parties' share in federal receipts	9 500	9 652	10 129	629	6.6
Compensation to public bodies	1 592	1 684	1 595	3	0.2
Contributions to own institutions	3 684	3 388	3 957	274	7.4
Contributions to third parties	15 162	16 178	15 660	498	3.3
Contributions to social insurance	16 674	17 162	17 051	377	2.3
Financial expenditure	1 717	1 472	1 462	-255	-14.9
Interest expenditure	1 603	1 412	1 409	-195	-12.1
Other financial expenditure	114	60	53	-61	-53.3
Investment expenditure	8 471	8 484	8 332	-139	-1.6
Tangible fixed assets and inventories	2 987	2 820	3 061	74	2.5
Intangible fixed assets	24	48	20	-4	-18.5
Loans	59	101	61	2	2.8
Financial interests	89	45	45	-44	-49.6
Own investment contributions	4 813	4 970	4 646	-166	-3.5
Transitory investment contributions	500	500	500	0	0.0
Extraordinary receipts	478	-	177		
Extraordinary expenditure	-	-	-		

The figures for 2016 were adjusted (see section B72, Changes in accounting standards).

STATEMENT OF FINANCIAL POSITION

CHF mn	FS			Δ 2016-17	
	01.01.2016	31.12.2016	31.12.2017	absolute	%
Assets	152 348	148 635	163 900	15 265	10.3
Non-administrative assets	32 993	28 225	37 129	8 904	31.5
Current assets	21 088	16 126	24 931	8 805	54.6
Liquidity assets	10 587	6 904	14 610	7 706	111.6
Receivables	6 376	5 189	6 475	1 286	24.8
Short-term financial investments	3 777	3 751	3 562	-189	-5.0
Prepaid expenses and accrued income	348	281	285	4	1.4
Non-current assets	11 905	12 100	12 198	98	0.8
Long-term financial investments	11 905	12 100	12 198	98	0.8
Administrative assets	119 355	120 410	126 771	6 362	5.3
Current assets	3 742	3 856	3 937	81	2.1
Inventories and advances	3 742	3 856	3 937	81	2.1
Non-current assets	115 613	116 554	122 835	6 281	5.4
Tangible fixed assets	59 882	59 898	60 084	186	0.3
Intangible fixed assets	220	205	201	-4	-1.7
Loans	5 598	5 615	5 520	-95	-1.7
Financial interests	49 913	50 835	57 029	6 194	12.2
Liabilities and equity	152 348	148 635	163 900	15 265	10.3
Short-term liabilities	42 194	37 207	43 159	5 951	16.0
Current liabilities	10 659	10 734	13 378	2 644	24.6
Short-term financial liabilities	25 093	22 322	23 626	1 304	5.8
Accrued expenses and deferred income	5 669	3 480	5 594	2 114	60.8
Short-term provisions	773	671	560	-111	-16.5
Long-term liabilities	102 137	102 061	99 305	-2 756	-2.7
Long-term financial liabilities	72 633	71 136	68 198	-2 938	-4.1
Liabilities toward separate accounts	1 881	2 431	3 029	598	24.6
Employee retirement benefits	11 394	11 496	8 910	-2 586	-22.5
Long-term provisions	14 567	15 123	17 150	2 027	13.4
Liabilities toward restricted funds in liabilities	1 662	1 876	2 018	142	7.6
Net assets/equity	8 016	9 366	21 436	12 070	128.9
Restricted funds in net assets/equity	6 918	7 421	7 350	-70	-0.9
Reserves from global budgets	180	229	172	-57	-25.0
Accumulated surplus	918	1 717	13 915	12 198	710.4

The figures for 2016 were adjusted (see section B72, Changes in accounting standards).

CASH FLOW STATEMENT

CHF mn	FS 2016	FS 2017	Δ 2016-17 absolute
Total cash flow	-3 683	7 706	11 389
Cash flow from operating activities	3 151	11 604	8 454
Tax receipts	63 113	66 485	3 372
Royalties and concessions	824	1 062	237
Revenue from exchange transactions	1 167	1 141	-26
Other current receipts	533	568	35
Financial receipts	1 093	1 184	91
Operating expenditure	-10 170	-10 101	69
Transfer expenditure	-46 612	-48 393	-1 781
Financial expenditure	-1 717	-1 462	255
Investment contributions	-4 813	-4 646	166
Investment expenditure inventories	-85	-57	29
Extraordinary receipts	313	99	-214
Increase/decrease in receivables (excl. value adjustments)	1 153	-1 324	-2 478
Increase/decrease in current liabilities	75	2 643	2 569
Increase/decrease withholding tax accrued expenses & deferred income/ provisions	-2 079	4 111	6 190
Increase/decrease in liabilities vis-à-vis separate accounts	550	597	48
Cash flow from special funds	129	39	-89
Premium amortization	-323	-343	-21
Cash flow from investing activities	-2 894	-2 669	225
Investment expenditure tangible and intangible fixed assets	-2 925	-3 024	-99
Investment receipts tangible and intangible fixed assets	39	38	-1
Investment expenditure on loans and financial interests	-148	-105	42
Investment receipts from loans and financial interests	172	110	-62
Extraordinary investment receipts	165	78	-87
Increase/decrease in short-term financial investments	-202	332	534
Increase/decrease in long-term financial investments	5	-98	-103
Cash flow from financing activities	-3 940	-1 230	2 711
Increase/decrease in short-term financial liabilities	-2 771	1 304	4 075
Increase/decrease in long-term financial liabilities	-1 498	-2 938	-1 440
Less premium amortization not affecting cash	323	343	21
Less increase/decrease in derivative financial instruments not affecting cash	25	54	28
Less increase/decrease in lease liability/investments financed by third parties not affecting cash	-20	7	27

CASH FUND STATEMENT

CHF mn	FS 2016	FS 2017	Δ 2016-17 absolute
Liquid assets balance at 01.01.	10 587	6 904	-3 683
Increase (+) / decrease (-)	-3 683	7 706	11 389
Liquid assets balance at 31.12.	6 904	14 610	7 706

STATEMENT OF CHANGE IN GROSS DEBT

CHF mn	FS 2016	FS 2017	Δ 2016-17 absolute
Gross federal debt at 01.01.	-108 386	-104 192	4 194
Debt reduction (+) / new debt (-) affecting cash	3 940	1 230	-2 711
Cash flow from operating activities	3 151	11 604	8 454
Cash flow from investing activities	-2 894	-2 669	225
Increase (-) / decrease (+) in liquid assets	3 683	-7 706	-11 389
Debt reduction (+) / new debt (-) not affecting cash	253	-2 239	-2 493
Increase (-) / decrease (+) current liabilities	-75	-2 643	-2 569
Premium amortization	323	343	21
Increase (-) / decrease (+) in derivative fin. instruments	25	54	28
Increase (-) / decrease (+) in lease liability/investments financed by third parties	-20	7	27
Gross federal debt at 31.12.	-104 192	-105 202	-1 010

STATEMENT OF INVESTMENTS

CHF mn	FS	Bdg.	FS	Δ 2016-17	
	2016	2017	2017	absolute	%
Statement of investments balance	-7 678	-7 772	-7 669		
Ordinary statement of investments balance	-7 844	-7 772	-7 748		
Investment receipts	711	712	648	-63	-8.8
Buildings	31	62	34	3	9.4
Property, plant and equipment	4	3	4	0	1.8
Motorways	5	5	1	-4	-85.9
Intangible fixed assets	-	0	-	-	-
Loans	141	142	110	-31	-22.0
Financial interests	31	-	-	-31	-100.0
Repayment of own investment contributions	-	-	-	-	-
Transitory investment contributions	500	500	500	0	0.0
Investment expenditure	8 554	8 484	8 396	-159	-1.9
Buildings	643	701	679	36	5.6
Property, plant and equipment	101	132	97	-4	-3.8
Inventories	85	166	57	-29	-33.4
Motorway	1 833	1 551	1 800	-33	-1.8
defense equipment	409	270	482	73	17.9
Intangible fixed assets	17	48	20	3	17.5
Loans	59	101	61	2	2.8
Financial interests	89	45	45	-44	-49.6
Own investment contributions	4 818	4 970	4 655	-163	-3.4
Transitory investment contributions	500	500	500	0	0.0
Extraordinary investment receipts	165	-	78		
Extraordinary investment expenditure	-	-	-		

The figures for 2016 were adjusted (see section B72, Changes in accounting standards).

STATEMENT OF NET ASSETS/EQUITY

CHF mn	Special financing 1	Special funds 2	Other restricted funds 3	Restricted funds 4=1+2+3	Global budget reserves 5	Accumulated deficit/surplus 6	Total net assets/equity 7=4+5+6
As of 01.01.2016 before restatement	5 607	1 296	-	6 903	180	-27 831	-20 748
Changes in accounting standards	-	15	-	15	-	28 749	28 764
As of 01.01.2016 adjusted accounting standards	5 607	1 311	-	6 918	180	918	8 016
Special funds result	-	26	-	26	-	1	27
Change in other restricted funds	-	-	62	62	-	-	62
Revaluation employee retirement benefits	-	-	-	-	-	141	141
Share of equity transactions involving equity interests	-	-	-	-	-	-1 777	-1 777
Hedging transactions	-	-	-	-	-	-17	-17
Total items recognized under net assets/equity	-	26	62	88	-	-1 652	-1 564
Surplus/deficit for the year	-	-	-	-	-	2 914	2 914
Total profit and loss recognized	-	26	62	88	-	1 262	1 350
Entry transfers in net assets/equity	414	-	-	414	49	-463	-
Consolidation scope changes	-	-	-	-	-	-	-
As of 31.12.2016	6 021	1 338	62	7 421	229	1 717	9 366
Special funds result	-	23	-	23	-	2	25
Change in other restricted funds	-	-	-7	-7	-	-	-7
Revaluation employee retirement benefits	-	-	-	-	-	2 904	2 904
Share of equity transactions involving equity interests	-	-	-	-	-	4 233	4 233
Hedging transactions	-	-	-	-	-	180	180
Total items recognized under net assets/equity	-	23	-7	16	-	7 319	7 334
Surplus/deficit for the year	-	-	-	-	-	4 736	4 736
Total profit and loss recognized	-	23	-7	16	-	12 054	12 070
Entry transfers in net assets/equity	-86	-	-	-86	-57	143	-
Consolidation scope changes	-	-	-	-	-	-	-
As of 31.12.2017	5 935	1 361	55	7 350	172	13 915	21 436

STATEMENT OF NET ASSETS/EQUITY

The statement of net assets/equity shows which financial transactions led to a change in the respective equity item. Specifically, it indicates the expense and revenue items that were recognized directly in net assets/equity rather than in the statement of financial performance, and the impact of a change in reserves and restricted funds on net assets/equity.

RESERVES FROM GLOBAL BUDGETS

CHF thousands	General reserves				Restricted reserves			
	Closing stock at 31.12.2016	Formation from FS 2016	Reversal	Closing stock at 31.12.2017	Closing stock at 31.12.2016	Formation from FS 2016	Reversal	Closing stock at 31.12.2017
Total	28 298	-	-	28 298	200 467	-	-57 231	143 236
202 FDFA	1 210	-	-	1 210	11 000	-	-3 050	7 950
306 FOC	-	-	-	-	2 066	-	-1 100	966
311 MeteoSwiss	1 153	-	-	1 153	6 345	-	-1 974	4 371
342 IVI	-	-	-	-	50	-	-	50
485 ISC-FDJP	3 447	-	-	3 447	10 476	-	-437	10 039
504 FOSPO	3 030	-	-	3 030	8 827	-	-1 483	7 344
506 FOCP	1 831	-	-	1 831	7 536	-	-4 184	3 351
542 ar S+T	1 073	-	-	1 073	-	-	-	-
543 ar Immo	-	-	-	-	16 000	-	-16 000	-
570 swisstopo	2 904	-	-	2 904	7 674	-	-4 597	3 077
602 CCO	-	-	-	-	200	-	-	200
609 FOITT	10 000	-	-	10 000	11 535	-	-8 285	3 250
710 Agroscope	-	-	-	-	1 541	-	-584	958
735 ZIVI	701	-	-	701	-	-	-	-
740 SAS	436	-	-	436	2 503	-	-	2 503
785 ISCeco	-	-	-	-	5 189	-	-1 831	3 358
803 FOCA	2 000	-	-	2 000	11 335	-	-8 618	2 717
806 FEDRO	-	-	-	-	93 306	-	-2 793	90 513
808 OFCOM	513	-	-	513	4 886	-	-2 296	2 590

The release or formation of global budget reserves is recognized as a statement of financial position transaction. In the process, an entry transfer is made from the accumulated surplus to reserves (formation) or from reserves to the accumulated surplus (release). Since reserves are not available to the administrative unit until after the Federal Assembly's decision (normally after the summer session), recognition is with the key date "federal decree on the state financial statements" the following fiscal year.