



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
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Swiss Confederation

State financial statements

Report on federal financial
statements

2014

Published and edited by

Editing

Federal Finance Administration
Internet: www.efv.admin.ch

Distribution

FOBL, Federal Publication Sales, CH-3003 Bern
www.bundespublikationen.admin.ch
Art. No. 601.300.14e

15.003

Dispatch on the Swiss state financial statements for 2014

of March 25, 2015

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

With this dispatch, we hereby submit the *Swiss state financial statements for 2014* to you, and propose that you approve them in accordance with the enclosed draft resolutions.

We also request, in accordance with Article 34 para. 2 of the Federal Act of October 7, 2005 on the Federal Financial Budget (SR 611.0), that you approve the *credit limit* excesses that proved inevitable after consuming the budgetary and supplementary credits.

Respectfully yours,

Bern, March 25, 2015

On behalf of the Swiss Federal Council

President of the Swiss Confederation:
Simonetta Sommaruga

Federal Chancellor:
Corina Casanova

Report on federal financial statements

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Figures overview

CHF mn	Fin. stmt. 2013	Budget 2014	Fin. stmt. 2014
Financing statement			
Ordinary receipts	65 032	66 245	63 876
Ordinary expenditure	63 700	66 124	64 000
Ordinary fiscal balance	1 332	121	-124
Extraordinary receipts	1 306	–	213
Extraordinary expenditure	–	–	–
Overall fiscal balance	2 638	121	89
Debt brake			
Structural surplus (+) / structural deficit (-)	1 852	452	259
Maximum admissible expenditure	65 486	66 576	64 259
Room for maneuver (+) / need for adjustment (-)		452	
Compensation account balance	21 180		21 439
Amortization account balance	1 418		1 631
Statement of financial performance			
Ordinary revenue	65 136	66 137	64 877
Ordinary expenses	65 109	65 641	63 880
Ordinary result	27	496	997
Extraordinary revenue	1 081	–	196
Extraordinary expenses	–	–	–
Surplus/deficit for the year	1 108	496	1 193
Statement of investments			
Ordinary investment receipts	286	189	272
Ordinary investment expenditure	7 415	7 860	7 630
Statement of financial position			
Net assets/equity	-24 008		-22 790
Gross debt	111 638	110 100	108 797
Indicators			
Expenditure ratio in %	10.0	10.8	9.9
Tax ratio in %	9.6	10.1	9.3
Gross debt ratio in %	17.6	17.9	16.8
Macroeconomic reference values			
Real GDP growth in %	1.9	2.1	2.0
Nominal GDP growth in %	1.7	2.3	2.0
Change in the National Consumer Price Index in %	-0.2	0.2	–
Long-term interest rates in % (annual average)	0.9	1.2	0.7
Short-term interest rates in % (annual average)	0.0	0.2	0.0
USD to CHF exchange rate (annual average)	0.93	0.95	0.92
EUR to CHF exchange rate (annual average)	1.23	1.25	1.21

Notes:

- Interest rates: Annual average for 10-year federal bonds or 3-month Libor. Source: SNB, Monthly Statistical Bulletin.
- Exchange rates: Annual average. Source: SNB, Monthly Statistical Bulletin.

The Confederation ended 2014 with a small deficit of 124 million in the ordinary budget. For the first time since 2005, a deficit was posted in the financing statement, whereas a surplus of 121 million had been expected in the budget. Receipts (-2.4 bn) and expenditure (-2.1 bn) came in considerably below budget. Overall, the deviation from the budget was relatively small, as the considerable deviations in terms of receipts and expenditure largely neutralized one another. The result was almost 1.5 billion less than the 2013 figure.

The Swiss economy almost managed to meet the expectations formulated in the 2014 budget. 2014 was essentially a year of two halves for economic growth. As expected, Switzerland's value creation was very dynamic in the first half of the year, but this stood in contrast with a second half when uncertainty about economic growth increased and had a negative impact. Real growth turned out to be 2.0% rather than 2.1%. At the end of 2014, therefore, the economy was still on a robust growth path and little by little was approaching normal utilization of the factors of production.

The *debt brake* requirements were met despite the deficit. The requirements are stricter than in 2013 because of the improved economic environment: the deficit permissible cyclically is 0.3 billion, which is 0.1 billion lower than the previous year. The deficit permissible cyclically was nevertheless undershot by 0.3 billion. This structural surplus was significantly lower than the previous year (-1.6 bn), meaning that the federal budget's comfortable structural cushion almost completely disappeared in the space of a year. The structural surplus of 0.3 billion is to be credited to the compensation account, bringing that account's balance to 21.4 billion.

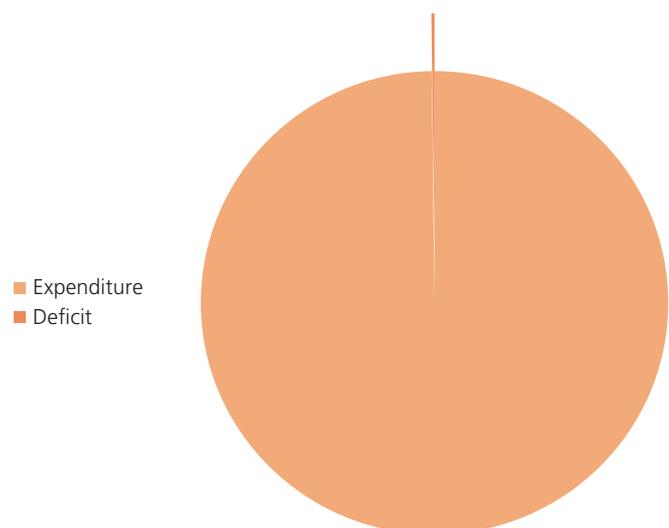
Ordinary receipts were down by 1.8% on the previous year. The decline in receipts was inconsistent with the development of the economy and had a major impact on the federal finances. It was largely driven by the fall of 2.1% in direct federal tax receipts, the weak development of which can be seen in income and profit taxes. Special factors include the absence of a profit distribution from the SNB and the decline in withholding tax as a result of the previous year's unusually high level. Even after adjusting for special factors (SNB profit distribution and withholding tax), receipts were down by 0.9%. They thus performed far worse than nominal GDP (2.0%).

Relative to the previous year, *ordinary expenditure* grew by only 300 million to 64 billion (+0.5%). Expenditure growth was thus much lower than nominal GDP growth. The development in the task areas is extremely varied, however. The biggest growth drivers were the increase in the CO₂ tax and the use of the corresponding additional revenue (+363 mn), social welfare (+309 mn), international relations (+216 mn) and transportation (+206 mn). By contrast, there was a significant decline in expenditure for national defense (-441 mn) and finances and taxes (-446 mn). Referendums (rejection of Gripen fighter jets, acceptance of the mass immigration initiative) contributed to the lower-than-budgeted expenditure growth.

The *budget underruns* of 2.1 billion with regard to expenditure were higher than the average level for the past ten years. These are related to the difference between unutilized credits and supplementary credits. Aside from the weak development of tax receipts, which resulted in lower shares in federal receipts for the cantons and social insurance (-334 mn) as well as a smaller contribution to disability insurance (-64 mn), and the low interest

2014 financial statements: financing of expenditure

Ordinary financing statement



The ordinary budget posted a deficit of 0.1 billion, or 0.2% of expenditure. Expenditure of that magnitude was not covered by receipts and had to be financed via debt.

rate environment, which gave the Confederation higher premiums, which in turn reduce expenditure when recognized (-275 mn), the two referendums mentioned were also striking in 2014.

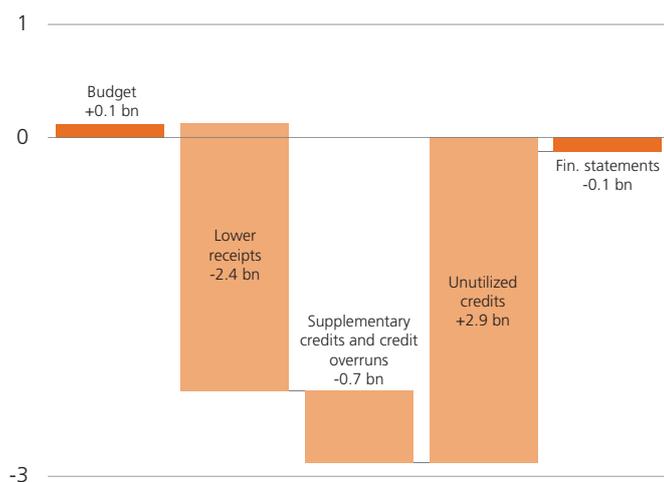
Receipts of 213 million were recognized in the *extraordinary budget*. The last sale of Swisscom shares resulted in further investment receipts of 68 million in January 2014. Moreover, receipts of 145 million were generated because of FINMA ordering various banks to disgorge profits due to violations of Swiss financial market legislation. Including extraordinary receipts, a small financing surplus of 89 million was generated. The extraordinary receipts are to be credited to the amortization account, thereby raising that account's balance to 1,631 million.

Gross debt declined by 2.8 billion to 108.8 billion in 2014. The debt reduction trend thus continued in 2014 as well. The respectable reduction was achieved by means of a decline in short-term financial liabilities and a lower level of long-term financial liabilities. Money market debt register claims were down by 2.0 billion, as the liquidity requirement at year-end was less significant than the previous year, when a large bond issue was due for redemption shortly after the start of the year.

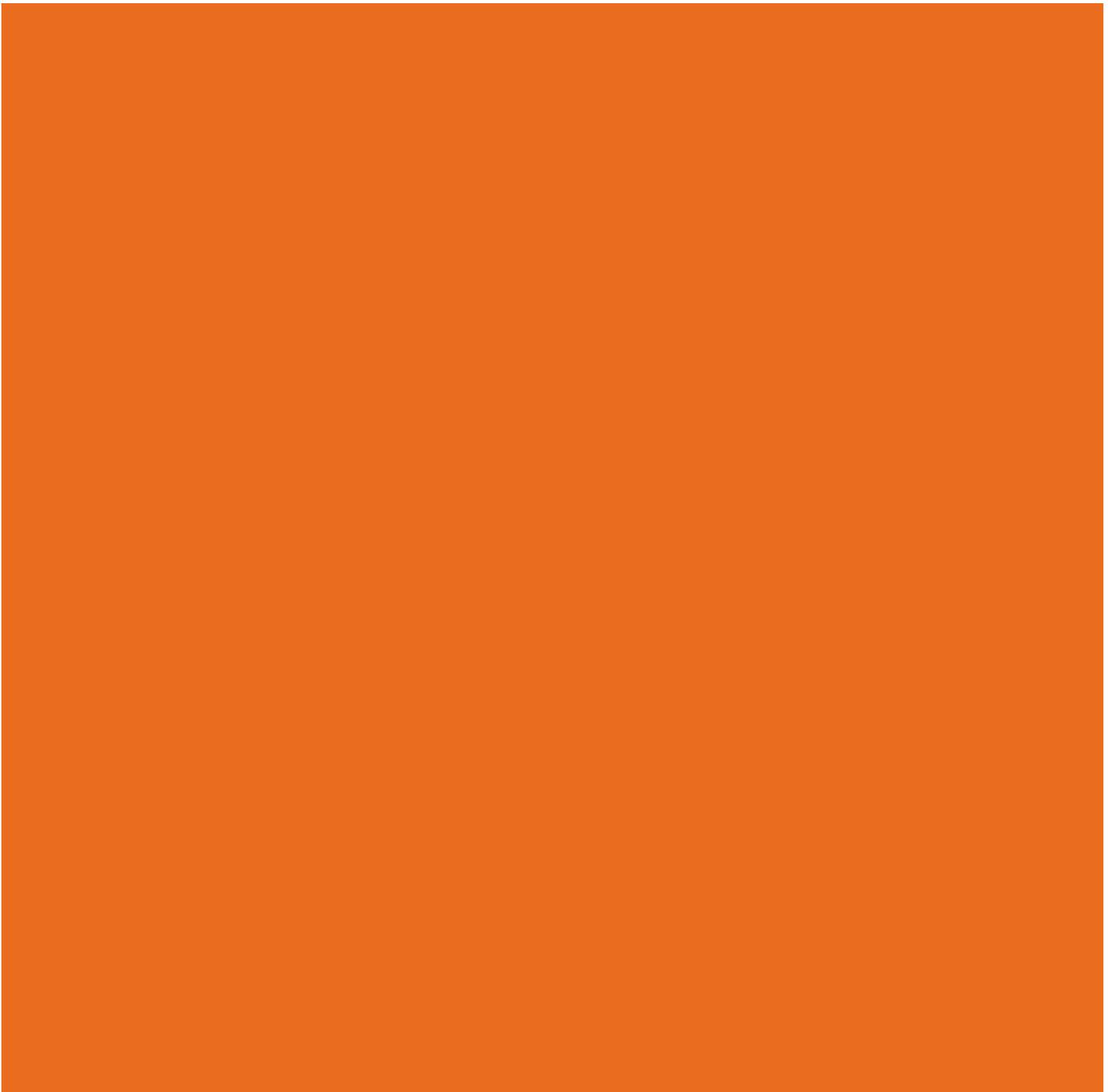
The *statement of financial performance* posted an ordinary surplus of 1 billion. The difference of +1.1 billion relative to the financing statement was largely due to the fact that the performance approach shows higher financial revenue (+1.0 bn). This is because valuation changes regarding significant interests (increase in equity value) were higher than financial interest receipts in the financing statement.

From the budget to the financial statements

Ordinary financing statement for 2014 in bn



The Confederation ended the year with a deficit of 0.1 billion, whereas a surplus of 0.1 billion had been expected in the budget. Unused credits significantly exceeded the additional demand for supplementary credits and credit limit excesses. However, the resulting budget underruns in terms of expenditure were not sufficient to fully offset the considerable reduction of 2.4 billion in receipts.



11 Budgeting for 2014

The 2014 budget was adopted by the Federal Council with a deficit of 0.1 billion. Adjusted for lower receipts for cyclical reasons, a structural surplus of 0.2 billion actually resulted. The debt brake requirements were thus met even though the measures from the 2014 consolidation and task evaluation package were suspended. Parliament reduced expenditure by 230 million, such that a small surplus of 121 million resulted in the budget.

The 2014 budget was adopted by the Federal Council in the summer of 2013, when the economic outlook was brightening again after the previous year's period of weakness. Overall, the global economy was expected to stage a moderate recovery, and there were mixed prospects within Europe and a positive growth outlook for the US and Asian and emerging market economies. Against this backdrop, a moderate pick-up in economic growth was expected for Switzerland. The macro-economic parameters for 2014 were thus based on real economic growth of 2.1% and inflation of 0.2%.

Although the Federal Council had decided to suspend savings measures in 2014 following the National Council's decision to refer the 2014 consolidation and task evaluation package, a small structural surplus was posted in the budget.

The budget amendments by Parliament primarily involved the reduction of general, administrative and operating expenses (-150 mn) as well as adjustments implementing the rejected popular vote on increasing the motorway tax. Compared with the Federal Council's draft budget of August 2013, reduced expenditure of 230 million was decided upon, resulting in a small surplus of 121 million. The structural surplus thus rose to 0.5 billion.

During budget implementation, the scale of supplementary credits with a financing effect approved by Parliament was 120 million, or 0.2%, which was significantly lower than the empirical level of 0.4%, after taking compensation into account. In addition, the Federal Council transferred credits of 48.8 million from the previous year, of which 0.7 million within the scope of the closing accounts. Finally, credit limit excesses amounted to 125.3 million. They will be submitted to Parliament for retroactive approval.

12 Economic development

Swiss economic growth was slightly weaker in 2014 than what was assumed in the budget. Manufacturing made an above-average contribution to growth. Domestic demand was more dominant than exports. Prices remained at the previous year's level.

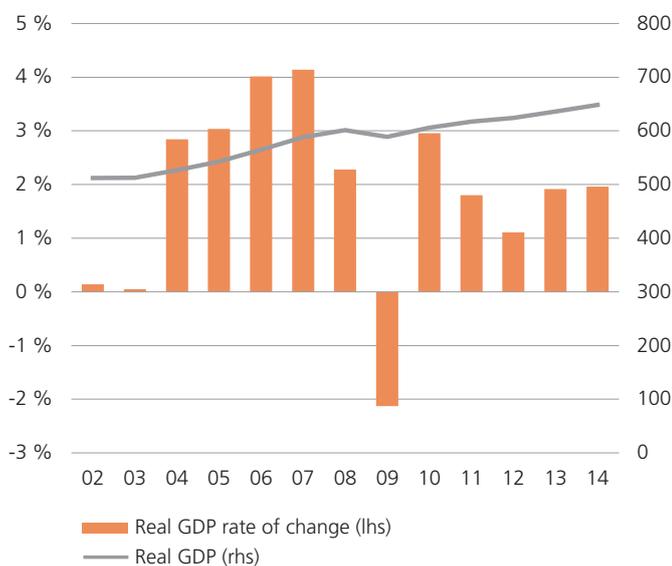
In mid-2013, the Swiss economy was on a sound growth path. Following a period of significant uncertainty, the outlook for the eurozone had improved considerably and the United States was showing signs of recovery too. On this basis, stronger Swiss GDP growth of 2.1% and a National Consumer Price Index (CPI) of 0.2% were expected for the 2014 budget.

The eurozone's economic woes continued in 2014. Combined with the Swiss franc's persistently high level, this prevented Switzerland's economy from accelerating further. Coming in at 2.0%, real GDP growth was more or less at the previous year's level of 1.9%.

2014 was essentially a year of two halves for economic growth. As expected, Switzerland's value creation was very dynamic in the first half of the year, but this stood in contrast with a second half when the negative economic risks partly materialized.

Manufacturing and financial services initially contributed to value creation. However, export demand rose more slowly than expected. Moreover, domestic demand growth, which had been providing the economy with substantial support, weakened considerably in the second half.

Real GDP (in bn) and rate of change (in %)



In 2014, the Swiss economy expanded at more or less the same pace as in 2013. This was driven primarily by robust domestic demand, namely investments in housing construction, which benefited from the favorable interest rate environment, and the upswing in the United States.

The labor market remained virtually unchanged, with unemployment stagnating at the previous year's level of 3.2%. Against a backdrop of extremely low inflation and low key interest rates, the yield on 10-year Confederation bonds also fell from 1% at the start of the year to 0.5% at year-end.

According to current estimates, nominal GDP growth was 2.0%, putting it 0.3 percentage points lower than what was reckoned on in 2013. This unexpectedly slow rate of expansion is likely to have been a decisive factor for the lower tax receipts than assumed in the budget.

Revision of the system of national accounts

Switzerland switched the value added statistics to the standard of the European System of Accounts 2010 (ESA 2010) in 2014. This resulted in adjustments to the current figures and historical data for both nominal and real GDP, as well as their sub-aggregates, which essentially affect investments and exports.

Compared with the figures before the statistics revision, value added is now approximately 5.7% higher in nominal terms and 13.3% in real terms (basis: average for 2000–2012), while the growth rates for the overall aggregates are largely unchanged. There is also an adjustment of the level of gross national income (GNI) as part of the changeover to the ESA 2010.

An increase in GDP means a decline in the debt and deficit/surplus ratio if at the same time the budget deficit/surplus and level of debt remain constant. The GNI adjustment has implications for the federal government development assistance objectives, among other things.

Comparison of the macro-economic parameters for the 2014 budget and financial statements

	Budget	Fin. stmt.	Dev. in percentage points
		Variation in %	
Real GDP	2.1	2.0	-0.1
Nominal GDP	2.3	2.0	-0.3
		Rate in %	
Inflation (CPI)	0.2	0.0	-0.2

21 Financing statement

The ordinary fiscal balance posted a small deficit of 124 million for the first time since 2005. Weak receipt growth stood against considerable budget underruns with regard to expenditure. Including the extraordinary budget, a surplus of 89 million was recorded. Despite the deficit, the debt brake stipulations were adhered to.

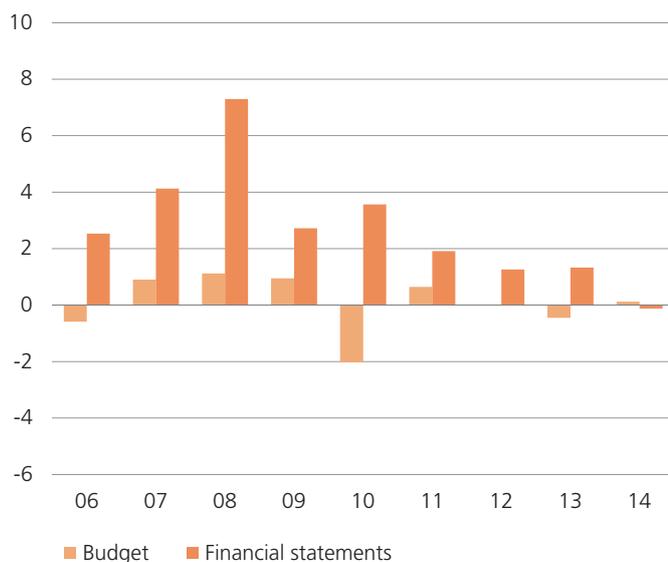
Financing statement

CHF mn	Fin. stmt.	Budget	Fin. stmt.	Deviation vs. FS 2013	
	2013	2014	2014	Absolute	%
Overall fiscal balance	2 638	121	89	-2 549	
Ordinary fiscal balance	1 332	121	-124	-1 456	
Ordinary receipts	65 032	66 245	63 876	-1 156	-1.8
Ordinary expenditure	63 700	66 124	64 000	300	0.5
Extraordinary receipts	1 306	–	213	-1 094	
Extraordinary expenditure	–	–	–	–	

The ordinary fiscal balance for 2014 showed a small deficit of 124 million, with ordinary receipts of 63.9 billion and ordinary expenditure of 64.0 billion. While the result was almost 1.5 billion less than the 2013 figure, the deterioration was much smaller relative to the budget (-245 mn). The result was due to a combination of lower receipts (-2.4 bn), with direct federal tax receipts in

particular down significantly on the previous year, and reduced expenditure of approximately 2.1 billion caused by above-average unutilized credits. This more or less neutralized the substantial budgetary discrepancy regarding receipts. Despite the deficit, the debt brake stipulations were adhered to; a cyclical deficit of 383 million would have been permitted.

Trend of financing statement results in bn Ordinary budget



The Confederation posted a small deficit in the ordinary financing statement for the first time in ten years. In the preceding years, surpluses which were sometimes considerable were achieved. Recent years' results were positive due above all to unutilized credits. In 2014, they at least prevented an even greater deterioration in the results.

Receipts of 213 million were recognized in the extraordinary budget. Receipts of 145 million were generated because of FIN-MA ordering various banks to disgorge profits due to violations of Swiss financial market legislation. Moreover, the sale of Swisscom shares resulted in investment receipts of some 68 million. No extraordinary expenditure was incurred in 2014, so overall, these extraordinary receipts led to a small surplus of 89 million in the financing statement.

Ordinary receipts were down by almost 1.2 billion, or 1.8%, on the previous year, which meant that the development of receipts deviated considerably from nominal GDP growth (+2.0%). The weak development was evident in all receipt categories. A significant reduction in receipts can be seen particularly in the case of direct federal tax, where taxes on both the net revenue of legal

entities and the income of natural persons posted a decline in revenue. With the exception of value added tax and stamp duty, which both recorded marginal growth of 0.2%, the other major receipt items were down (withholding tax, other consumption taxes).

Receipt growth was distorted by various special factors also in 2014, but they can explain only part of the downward trend of receipts. Particularly worthy of mention is the absence of the SNB profit distribution based on the 2013 business year, which led to a reduction in receipts of 333 million. The increase in the CO₂ tax rate also led to a major structural break, but in the opposite direction (+261 mn). Adjusted for all special factors and the volatile withholding tax, the decline in receipts was only 0.6%.

Unutilized credits

The following tables give an overview of unutilized credits broken down by credit type and task area. The proportion of 4.3% of approved expenditure is above the long-term empirical value. Among other things, this was due to credits that were not fully utilized for EU research programs, the unutilized deposit in the Gripen fund and lower receipt shares and interest expenditure.

The long-term average shows that the expenditure actually incurred during the fiscal year systematically turns out to be below the level of expenditure approved by Parliament. Unutilized credits are responsible for these budget underruns. An unutilized credit occurs when the funds approved by Parliament (including supplementary credits, transfers and shifts) for a given item are not fully utilized. While unutilized credits stand against additional expenditure as a result of supplementary credits and individual credit overruns, a significant underrun of budgeted expenditure nevertheless remains in general when the entire budget is taken into consideration.

	Unutilized credits in mn	in % of approved expenditure
Total	2 881	4.3
International relations – international cooperation	136	3.7
National defense	585	11.9
Education and research	510	6.9
Social welfare	378	1.7
Transportation	150	1.8
Agriculture and food	35	0.9
Finances and taxes	596	6.0
Other tasks	490	7.5

Generally speaking, budget deviations are part and parcel of the budget implementation process. Actual funding requirements are partly dependent on unforeseeable events and therefore cannot be planned to the last centime. As credits may essentially be underutilized but not exceeded without approval, the administrative units tend to be cautious when budgeting. Finally, the thrifty use of funds also makes a significant contribution to the occurrence of unutilized credits.

Systematically occurring unutilized credits result in a reduction in debt. Unutilized credits are not to be seen in a negative light with regard to the thrifty use of funds. What is a disadvantage, however, is that funds are committed as a result in the budget and are not available for other purposes.

	Unutilized credits in mn	in % of approved expenditure
Total	2 881	4.3
Operating expenditure	817	7.9
Personnel expenditure	83	1.9
General, administrative and operating expenditure	223	7.8
Armament expenditure	438	35.3
MPM functional expenditure ¹	74	4.0
Transfer expenditure	1 376	3.0
Financial expenditure	223	10.3
Investment expenditure	463	6.5

¹ Including other MPM expenditure

Cyclical structuring of the federal budget

One aim of the debt brake is to ensure an economically compatible fiscal policy (Art. 100 para. 4 Cst). The impact of the federal budget on the economy can be determined using three simple indicators. These show that the federal budget had an expansionary – and thus pro-cyclical – impact on the economy in 2014:

- The ordinary fiscal balance went from a surplus of 1.3 billion in 2013 to a small deficit of 124 million in 2014, meaning that there was an *expansionary primary stimulus* of 0.2% of GDP from the federal budget. The primary stimulus is a rough indicator of the federal budget's impact on aggregate demand.
- The primary stimulus can be broken down into the impact of the automatic stabilizers of the federal budget (reduction in the deficit permissible cyclically) and the fiscal stimulus (reduction in the cyclically adjusted or structural surplus) as an indicator of the impact of discretionary fiscal policy decisions. The negative primary stimulus was due primarily to the fact that the *impact of the automatic stabilizers* of the federal budget (reduction in the deficit permissible cyclically) was comparatively small and was unable to offset the *expansionary fiscal stimulus* (reduction in the cyclically adjusted or structural surplus). The expansionary impact of the federal budget thus came almost exclusively from the fiscal stimulus (see also section 22). However, this was due to the downward trend of receipts rather than to discretionary intervention in terms of expenditure.

22 Debt brake

The decline in receipts was inconsistent with the development of the economy and had a significant impact on the federal finances. For the first time since 2005, the Confederation posted a deficit in the financing statement. The comfortable structural cushion has disappeared.

Debt brake

CHF mn	Fin. stmt. 2010	Fin. stmt. 2011	Fin. stmt. 2012	Fin. stmt. 2013	Fin. stmt. 2014
Ordinary fiscal balance	3 568	1 912	1 262	1 332	-124
Cyclical	-817	-450	-756	-520	-383
Structural	4 384	2 362	2 018	1 852	259
Compensation account credit	3 969	2 197	1 583	1 786	259
Compensation account balance	15 614	17 811	19 394	21 180	21 439
Amortization account credit	416	-1 542	1 173	1 372	213
Amortization account balance	416	-1 127	46	1 418	1 631

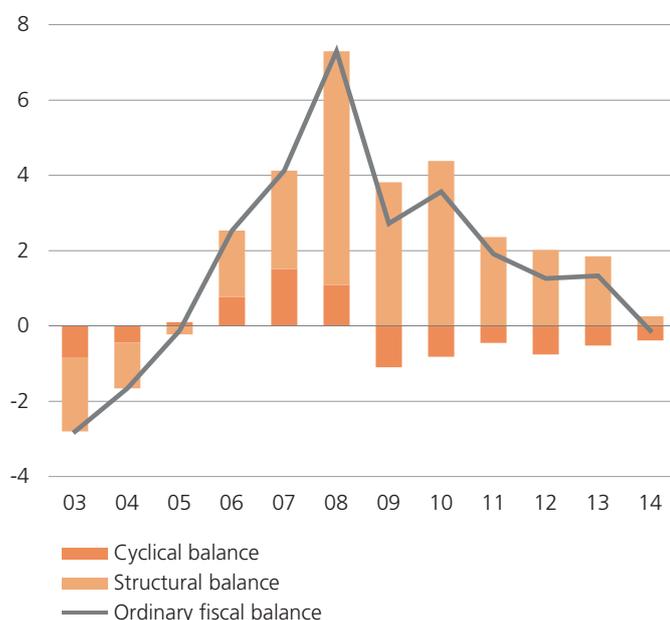
Economy on a robust growth path

The Swiss economy almost managed to meet the expectations formulated in the 2014 budget. Real growth turned out to be 2.0% rather than 2.1%. The economy thus remained on a robust growth path at the end of 2014 and was approaching normal utilization of the factors of production. The debt brake also reflects this development. The requirements are stricter because of the improved economic environment: the deficit permissible cyclically is approximately 0.1 billion lower than the previous year.

Structural cushion disappearing

The Confederation posted a deficit in the ordinary financing statement for the first time since 2005. The deficit of 383 million permissible cyclically was nevertheless undershot by 0.3 billion. The structural surplus that resulted was significantly lower than in 2013 (-1.6 bn), meaning that the federal budget's comfortable structural cushion almost completely disappeared in the space of a year. The weak development of receipts was responsible for this. Although the economy expanded in the year under review, ordinary receipts posted a year-on-year decline of 1.2 billion, or

Federal budget from a debt brake viewpoint in bn



The debt brake requires a minimum of a balanced structural position. This stipulation has been exceeded every year since 2006, allowing for debt reduction of approximately 20 billion.

1.8%. Even the exceedingly moderate expenditure growth of 0.5% was unable to prevent the structural budget situation from deteriorating.

High balance of compensation account

The structural surplus of 0.3 billion is to be credited to the compensation account, bringing that account balance to 21.4 billion. This high balance has resulted from structural surpluses since 2006, leading to the reduction in federal debt in recent years. In addition to measuring results, the compensation account also functions as a fluctuation reserve. If an unexpected sharp drop in receipts were to create a structural deficit in the future, any shortfall would have to be debited to the compensation account.

Credit for amortization account

The extraordinary receipts of 213 million in 2014 are to be credited to the amortization account, thereby raising its balance to 1,631 million. The amortization account introduced under the extended debt brake rule provides a statistical measure of extraordinary expenditure and receipts. If the account is in deficit, the shortfall must be offset through recourse to structural surpluses in the ordinary budget.

Cyclical impact of budget

The change in the overall fiscal balance and its components gives an indication of how fiscal policy impacts the economy. The overall fiscal balance plunged year-on-year, indicating that fiscal policy had an expansionary impact on the whole. However, this masks two opposing developments. As it happens, the change in the cyclical balance (-0.1 bn) indicated the slightly restrictive effect of the automatic stabilizers in the federal budget. However, this restrictive effect was offset by an expansionary discretionary stimulus corresponding to the decline in the structural balance (see section 21).

23 Statement of financial performance

The statement of financial performance ended with an ordinary surplus of almost 1 billion. The negative financial result of -0.1 billion detracted somewhat from the positive operating result of 1.1 billion. The extraordinary revenue came from the proceeds of the sale of Swisscom shares and FINMA ordering profits to be disgorged.

Surplus/deficit

CHF mn	Fin. stmt.	Budget	Fin. stmt.	Deviation vs. FS 2013	
	2013	2014	2014	Absolute	%
Surplus/deficit	1 108	496	1 193	85	
Ordinary result	27	496	997	970	
Operating result	713	1 446	1 131	418	58.6
Financial result	-686	-951	-134	552	-80.5
Extraordinary revenue	1 081	–	196	-885	
Extraordinary expenses	–	–	–	–	

The surplus/deficit for the year showed a revenue surplus of 1.2 billion, which corresponds to the ordinary result of 997 million and extraordinary revenue of 196 million.

Relative to the previous year, the ordinary result was up by 970 million, helped by both the operating result (+418 mn) and the financial result (+552 mn).

- The improved operating result (+418 mn) was driven primarily by the decline of 825 million in expenses, which was caused by one-time special factors the previous year (provisions for radioactive waste and losses on receivables regarding withholding tax). Meanwhile, revenue was down by 407 million (particularly tax revenue -149 mn and royalties and concessions -320 mn).
- The more favorable financial result (+552 mn) was due to higher financial revenue (+148 mn) and significantly lower financial expense (-405 mn).

Relative to the budget, the ordinary result was up by 501 million. The worse-than-expected operating result was more than offset by the better financial result. The deviation in the operating result (-0.3 bn) was attributable to revenue (-2.1 bn) and expenses (-1.8 bn) coming in under budget. The improvement in the financial result (+0.8 bn) was largely due to higher financial revenue (+0.9 bn), which resulted from the changed valuations of significant interests; these are budgeted for only to the extent of financial interest receipts.

Compared with the financing statement, the statement of financial performance was 1.1 billion higher. In the case of expenses, the difference can be attributed to the recognition of accruals and deferrals, value adjustments, depreciation and amortization. Total depreciation on administrative assets was 2.2 billion (including 1.5 bn for motorways and 0.6 bn for buildings). Value adjustments on financial interests, loans and investment contributions amounted to 4.6 billion. Investment contributions are 100% value adjusted. When total investment expenditure (7.6 bn) is compared with the total for depreciation and amortization and value adjustments (6.9 bn), the relatively small difference between the two values reflects the Confederation's stable investment activity.

The extraordinary revenue of 196 million was generated by the following two items:

- In 2014, a total of 141,500 Swisscom AG shares were sold for 68.2 million. After deducting the carrying amounts, this resulted in extraordinary revenue of 54.1 million.
- Extraordinary revenue of 142.1 million was generated in 2014 as a result of the Swiss Financial Market Supervisory Authority FINMA ordering banks to disgorge profits.

24 Statement of financial position

The negative net assets/equity declined by 1.2 billion to 22.8 billion due to the surplus shown in the statement of financial performance. This effect is reflected in the statement of financial position in the form of a decrease in liabilities following the reduction of interest-bearing debt (money market debt register claims, bonds).

Statement of financial position

CHF mn	2013	2014	Deviation vs. 2013	
			Absolute	%
Assets	111 183	110 924	-258	-0.2
Non-administrative assets	34 459	32 904	-1 555	-4.5
Administrative assets	76 724	78 021	1 296	1.7
Liabilities and equity	111 183	110 924	-258	-0.2
Short-term liabilities	37 533	37 475	-59	-0.2
Long-term liabilities	97 658	96 239	-1 418	-1.5
Net assets/equity	-24 008	-22 790	1 218	5.1
Other net assets/equity	6 369	6 746	378	5.9
Accumulated deficit	-30 377	-29 536	840	2.8

Non-administrative assets decreased by 1.6 billion, due essentially to a decline in cash and cash equivalents. Short-term funds were built up at the end of 2013 for the redemption of a bond maturing at the start of 2014.

Administrative assets rose largely because the holdings of tangible fixed assets were up by 0.5 billion and the valuation of significant interests increased by 0.9 billion. The rise in tangible fixed assets was due mainly to motorway construction. In the case of significant interests, the value increase was predominantly due to Swiss Post, SBB and RUAG.

Liabilities fell by a total of 1.5 billion for the following reasons:

- *Short-term liabilities* edged down by 0.1 billion. Behind this lies a significant reduction in short-term financial liabilities (-2.0 bn; particularly money market debt register claims) and an increase in liabilities from accrued expenses and deferred income (+1.2 bn; particularly withholding tax) and from short-term provisions (+0.5 bn; first-time distinction between short and long-term provisions for military insurance).
- The reduction of 1.4 billion in *long-term liabilities* was due to the decline in long-term financial liabilities (-1.1 bn; particularly bonds and fixed-term deposits) and long-term provisions (-0.3 bn; particularly the entry transfer for military insurance).

25 Statement of investments

With an increase of 2.9%, the growth in ordinary investment expenditure significantly outstripped that of the overall budget (+0.5%). Investment expenditure as a percentage of total expenditure thus rose slightly once again in 2014.

Statement of investments

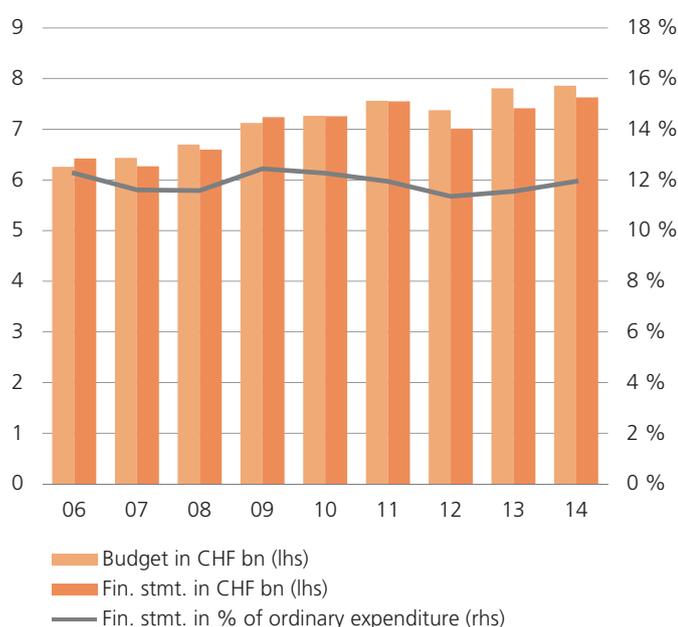
CHF mn	Fin. stmt. 2013	Budget 2014	Fin. stmt. 2014	Deviation vs. FS 2013	
				Absolute	%
Statement of investments balance	-5 882	-7 671	-7 289	-1 407	
Ordinary statement of investments balance	-7 129	-7 671	-7 357	-229	
Ordinary investment receipts	286	189	272	-14	-4.9
Ordinary investment expenditure	7 415	7 860	7 630	215	2.9
Extraordinary investment receipts	1 246	–	68	-1 178	
Extraordinary investment expenditure	–	–	–	–	

Ordinary investment receipts were down by 14 million, or 4.9%, on the previous year, due primarily to falling revenue from the sale of land (-59 mn). The decline was partly offset by higher repayments in the area of subsidized housing (+38 mn).

The rise of 215 million (+2.9%) in ordinary investment expenditure can be explained predominantly by higher investments in transportation and energy. While motorway construction and maintenance were the primary drivers of the growth in transportation (+158 mn), rising contributions for the energy-efficient renovation of buildings (building program, +118 mn) accounted for the

higher investments in the area of energy. Further contributors to expenditure growth were additional investments in the area of education (universities of applied sciences and vocational education, +71 mn) as well as rising contributions for the construction of penitentiary and correctional-educational institutions in the cantons (+20 mn). The increase in investment expenditure was curbed by lower expenditure for Armed Forces buildings (total -88 mn) and reduced investments in the task area protection of the environment and spatial planning (-46 mn), where a decrease was seen mainly in flood and noise protection.

Development of investment expenditure in bn and %



After having been on a slight downward trend for several years, the proportion of the overall budget accounted for by investments rose again somewhat in the last two years. When viewed from a long-term perspective, the proportion of the overall budget accounted for by investments has remained more or less constant at around 12% in recent years.

Coming in at almost 70 million, *extraordinary investment receipts* were significant lower than the previous year, when the Confederation sold Swisscom shares worth over 1.2 billion. The extraordinary investment receipts generated in 2014 were likewise due to the sale of Swisscom shares.

The *statement of investments* includes expenditure incurred for the acquisition and accumulation of assets which are required for the performance of functions and used over successive periods

(administrative assets). It also shows the receipts resulting from the sale or redemption of these assets. Proprietary investments accounted for a third of *investment expenditure* (mainly buildings and motorways), while transfers accounted for two thirds of the total (mainly loans and investment contributions). *Investment receipts* consist primarily of loan repayments as well as proceeds from the sale of buildings. It is generally difficult to make projections for them, which is why there can be major deviations between the financial statements and the budget.

26 Debt

The debt reduction trend continued in 2014, with gross debt falling by 2.8 billion to 108.8 billion. The decline in net debt was less striking at 1.6 billion, as non-administrative assets were also down.

Development of federal debt

CHF mn	2002	2007	2012	2013	2014
Gross debt	122 366	120 978	112 406	111 638	108 797
Net debt	97 240	90 611	81 187	78 160	76 593

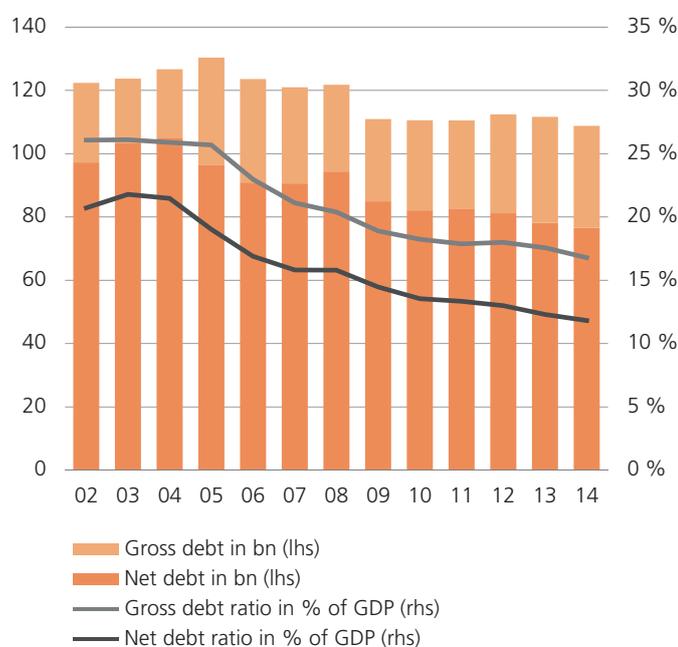
The decrease in *gross debt* was due to the reduction in short-term financial liabilities (money market debt register claims -2.0 bn) and long-term financial liabilities (bonds -0.7 bn; SERV fixed-term deposits -0.5 bn). In contrast, current liabilities rose slightly (0.2 bn).

Net debt also posted a decline of 1.6 billion to reach 76.6 billion. The smaller drop relative to gross debt was due to the decrease of 1.3 billion in non-administrative assets (net debt = gross debt less

non-administrative assets). The decline in non-administrative assets was due to the fact that the liquidity that had been built up at the end of 2013 for the redemption of a bond maturing at the start of 2014 was reduced again.

The development of debt was only marginally impacted by the more or less neutral overall fiscal balance (-0.1 bn) in fiscal 2014.

Debt and debt ratio in bn and % of GDP



After having more or less stagnated in recent years, gross debt fell significantly again in 2014 because of a large bond issue maturing. Net debt (gross debt less non-administrative assets) also declined gradually. The decline in debt ratios as a percentage of GDP is even more striking.

31 Development of receipts

Ordinary receipts in 2014 were down by 1.8% on the previous year. This was mainly due to the drop in receipts from direct federal tax and withholding tax, as well as the absence of a profit distribution from the SNB. Moreover, value added tax, which is the largest receipt category, progressed only very slightly.

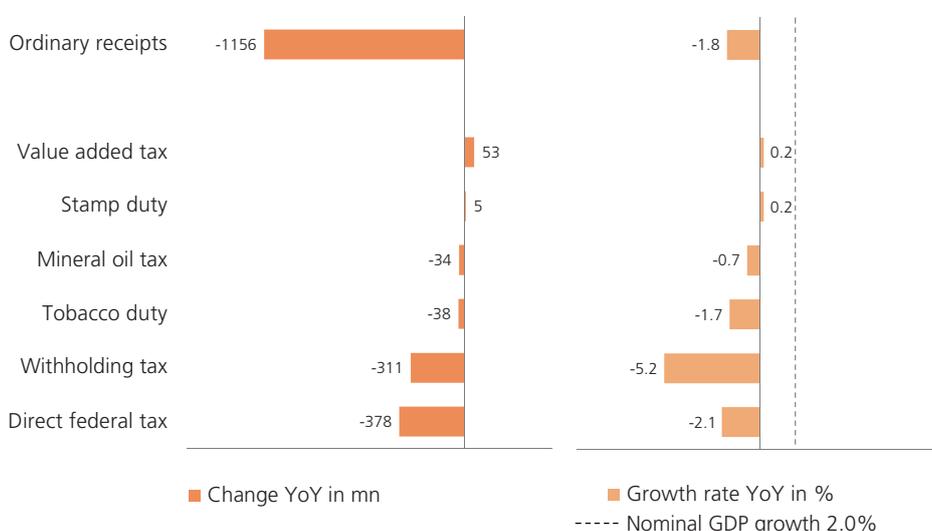
Development of receipts by account group

CHF mn	Fin. stmt.	Budget	Fin. stmt.	Deviation vs.		Deviation vs.
	2013	2014	2014	Absolute	FS 2013	budget 2014
					%	Absolute
Ordinary receipts	65 032	66 245	63 876	-1 156	-1.8	-2 369
Tax receipts	60 838	62 270	60 197	-641	-1.1	-2 072
Direct federal tax	18 353	20 113	17 975	-378	-2.1	-2 138
Withholding tax	5 942	4 837	5 631	-311	-5.2	794
Stamp duty	2 143	2 300	2 148	5	0.2	-152
Value added tax	22 561	22 960	22 614	53	0.2	-346
Other consumption taxes	7 414	7 480	7 342	-72	-1.0	-138
Misc. tax receipts	4 425	4 580	4 487	62	1.4	-92
Nontax receipts	4 194	3 975	3 679	-515	-12.3	-297

Having fallen by 1.2 billion, or 1.8%, in 2014, total receipts clearly moved in the opposite direction to nominal GDP, which grew by 2.0%. The drop in total ordinary receipts was influenced by the fall in receipts from both direct federal tax (-2.1%) and withholding tax (-5.2%). Adjusted for special factors and the volatile withholding tax, receipts were still down, but the decline was less substantial at -0.6%. The chart below shows the growth rates for the six main tax receipt volumes:

- The fall of 2.1% (-378 mn) in *direct federal tax* receipts had a major adverse effect on the development of total receipts in 2014, as that is the second most important source of receipts. Taxes on both the net revenue of legal entities and the income of natural persons posted a decline of 2.4% and 1.7%, respectively. It is difficult to explain that unexpected fall at the moment in view of the information available. In the case of profit taxes, particularly the losses carried forward from the financial and

Development of 2014 receipts in mn and %



While nominal GDP grew by 2.0% in 2014, total ordinary receipts moved in the opposite direction and posted a decline of 1.2 billion (-1.8%), primarily as a result of the fall in receipts from direct federal tax (-2.1%) and withholding tax (-5.2%). The only key source of receipts to post an increase was value added tax, but this was very subdued.

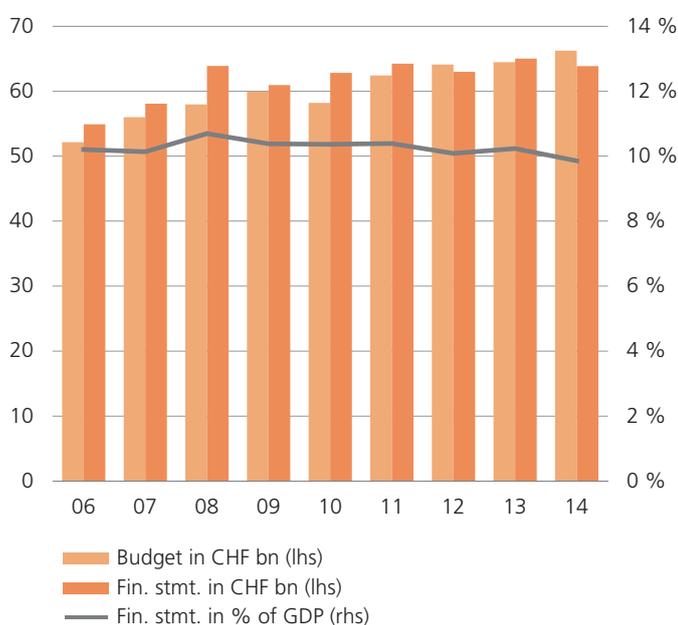
economic crisis as well as the ongoing strength of the Swiss franc are likely to have been responsible. A decline in the establishment of new companies is also likely to have contributed. In the case of natural persons, receipts could have been impacted by the repercussions of the capital contribution principle and the family tax reform, among other things.

- *Value added tax*, the main category of receipts, posted only a very small year-on-year increase of 0.2% in 2014. This was due primarily to import duty receipts, which fell by 4.2% in 2014.
- Regarding *withholding tax*, the 2.1 billion increase in incoming payments was not sufficient to offset refunds, which were 2.4 billion higher. In net terms, therefore, withholding tax receipts recorded a year-on-year decline of 0.3 billion, or 5.2%, in 2014. Moreover, following the exceptional year in 2013, the refund rate (77.6%) returned to a level in line with its long-term average in 2014.
- Coming in at 2.1 billion, *stamp duty* receipts more or less stagnated (+0.2%) relative to the previous year. That was essentially due to receipts from transfer stamp tax, which were virtually

unchanged relative to 2013 (-0.1%), despite the good performance of stock markets. One fact that could explain the 2.4% decline in receipts from the issue tax on equity capital is that this tax is to be abolished completely in the near future. Consequently, companies are postponing their re(capitalization) insofar as possible. Only receipts from the insurance premium stamp duty posted an increase in 2014 (+1.6%).

- *Tobacco duty* receipts fell by 1.7% in 2014, due mainly to the increase in “shopping tourism” in neighboring countries given the lower cigarette prices there than in Switzerland and the strength of the franc against the euro.
- Just like in 2013, *mineral oil tax* fell once again in 2014 (-0.7%). This was primarily attributable to the effect of the Federal Act on the Reduction of CO₂ Emissions (SR 641.71), which has been in effect since July 1, 2012. The regulations concerning the CO₂ emissions of newly registered vehicles in Switzerland were brought in line with EU standards, which led to a decline in average fuel consumption and thus in mineral oil tax receipts as well.

Development of ordinary receipts in bn and %



Total ordinary reports moved in a completely different direction from nominal GDP in 2014, falling by 1.8% while nominal GDP grew by 2.0%. This is reflected in receipts as a percentage of GDP (9.9% in 2014), which fell by 0.3 percentage points relative to 2013.

Special factors taken into account when adjusting the development of receipts

CHF mn	Fin. stmt.	Fin. stmt.	Deviation vs. FS 2013	
	2013	2014	Absolute	%
Ordinary receipts	65 032	63 876	-1 156	-1.8
Special factors				
CO2 tax: increase in the tax rate	–	261		
Nontax receipts: profit distribution by the Swiss National Bank	–	-333		
Duties: free trade agreement	–	-38		
Mineral oil tax: CO2 Act	-100	-135		
Withholding tax: deviation from the trend	892	283		
Total net increase (+) / decrease (-) in receipts due to special factors	792	39		
Adjusted ordinary receipts	64 240	63 838	-402	-0.6

Development after adjusting for special factors

Experience shows that, in the long run, all of the Confederation's receipts develop in proportion to nominal GDP, i.e. the long-term elasticity of receipts with respect to GDP is 1. 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 above for the years 2013 and 2014.

In net terms, receipts have to be revised downward by 792 million for 2013 and by 39 million for 2014. Adjusted for structural breaks and the typical volatility of withholding tax, receipts fell by 0.6% between 2013 and 2014. This yields a receipt elasticity of -0.3 (-0.9 unadjusted) relative to nominal GDP growth, which shows that receipts and the economy were moving in opposite directions. This reaction was essentially due to the fall in receipts from direct federal tax and withholding tax.

Quality of estimates

Receipt estimates have taken on greater significance since the introduction of the debt brake, which requires expenditure to be budgeted on the basis of estimated receipts. Ordinary receipts were 3.6% (-2.4 bn) lower than the budgeted level. In absolute terms, this discrepancy is much greater than it was for 2013, but is lower than the average absolute forecasting error since the introduction of the debt brake (4.0%). This substantial discrepancy was mainly attributable to the forecasting error for direct federal tax. When drawing up the 2013 budget, direct federal tax receipts for earlier tax years were largely overestimated (by more than 2.1 bn). Compared with the budget figures, the taxes on the income of natural persons recorded in 2014 were 1.2 billion lower, and those on the net revenue of legal entities were 1 billion lower.

32 Development of expenditure by task area

In 2014, the Confederation spent a total of 64 billion, i.e. 300 million, or 0.5%, more than in 2013. Expenditure came in 2.1 billion, or 3.2%, below budget, essentially because of the rejected procurement of new fighter jets, the low shares of federal receipts for the cantons and social insurance, and low interest rates (high premiums).

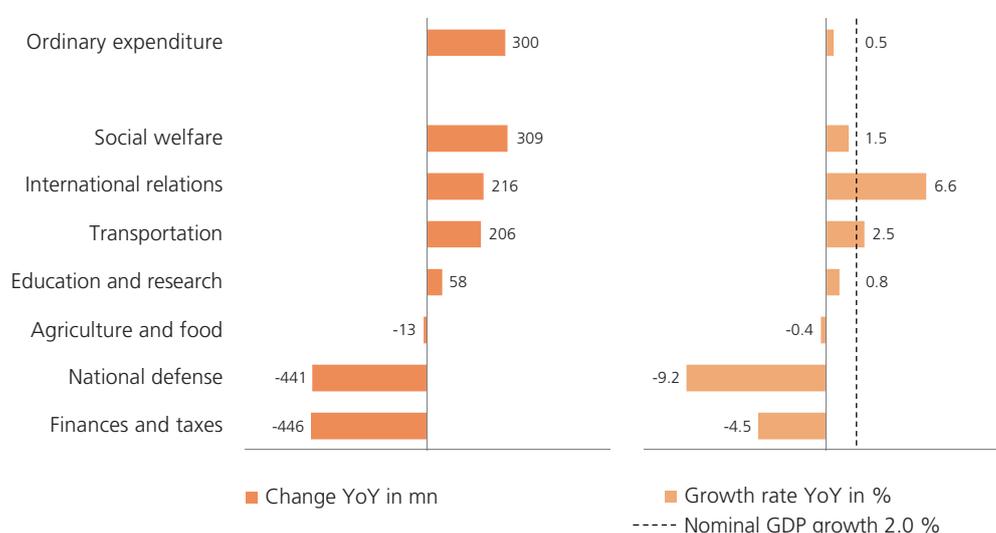
Development of expenditure by task area

CHF mn	Fin. stmt. 2013	Budget 2014	Fin. stmt. 2014	Deviation vs. FS 2013		Deviation vs. budget 2014
				Absolute	%	Absolute
Ordinary expenditure	63 700	66 124	64 000	300	0.5	-2 124
Social welfare	21 106	21 763	21 414	309	1.5	-349
Finances and taxes	9 916	9 963	9 469	-446	-4.5	-493
Transportation	8 224	8 549	8 429	206	2.5	-120
Education and research	6 894	7 201	6 952	58	0.8	-249
National defense	4 789	4 856	4 348	-441	-9.2	-508
Agriculture and food	3 706	3 719	3 693	-13	-0.4	-27
International relations - international cooperation	3 292	3 569	3 508	216	6.6	-61
Other task areas	5 774	6 503	6 187	413	7.2	-316

Relative to the 2013 financial statements, the Confederation's expenditure rose by a total of 300 million, or 0.5%, to 64 billion. The biggest expenditure drivers were the increase in the CO₂ tax and the use of the corresponding additional revenue (+363 mn), social welfare (+309 mn), international relations (+216 mn) and transportation (+206 mn). Expenditure growth was weaker than planned in the area of education and research (+58 mn), and there was even a significant decline in expenditure for national defense (-441 mn) and finances and taxes (-446 mn).

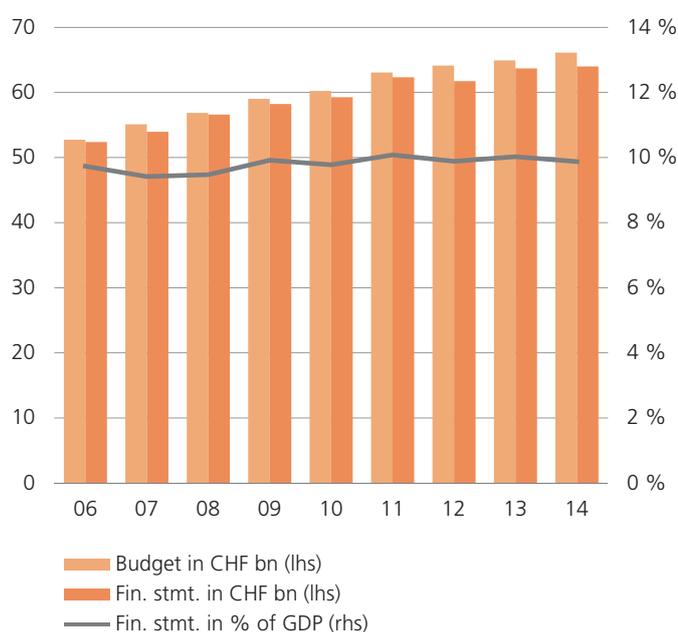
The 2014 budget was undershot by a relatively high 2.1 billion. Aside from the weak development of tax receipts, which resulted in lower shares of federal receipts for the cantons and social insurance (-334 mn) as well as a smaller contribution to disability insurance (-64 mn), and the low interest rate environment, which gave the Confederation higher premiums, which in turn reduce expenditure when recognized (-275 mn), two referendums were also striking in 2014. The rejected procurement of new fighter jets for the Armed Forces thus led to unutilized credits of approximately

Development of 2014 expenditure by task area in mn and %



The task areas international relations, transportation and social welfare posted the strongest growth rates in percentage terms. Coming in at just over 700 million, these areas accounted for the majority of the growth also in actual terms.

Development of ordinary expenditure in bn and %



On average, the pace of the Confederation's expenditure growth has been more or less the same as that of nominal gross domestic product since 2009. Although the general government expenditure ratio has fluctuated slightly during this period, there is no discernible upward trend.

340 million. The acceptance of the mass immigration initiative resulted in the elimination of full association in the EU research program Horizon 2020; unutilized credits of around 340 million ensued.

The development of expenditure in the seven largest task areas is briefly explained below.

Social welfare (21.4 bn, +1.5%): expenditure in the area of social welfare was up by 309 million on the previous year, representing a growth rate of 1.5%. Approximately half of the growth (127 mn) was attributable to the area of old-age and survivors' insurance (AHV), to which the Confederation makes three significant payments (contribution to AHV expenditure, percentage of value added tax for AHV and casino tax). The area of disability insurance was up by a total of 47 million, or 1.0%, on the previous year, essentially due to a new financing mechanism for the federal contribution. There was also an increase in expenditure for health insurance (mainly premium reductions, +58 mn), supplementary benefits (+46 mn) and unemployment insurance (+23 mn). The rise in the area of migration (+15 mn) was relatively modest.

Finances and taxes (9.5 bn, -4.5%): expenditure in this task area was 4.5% (-446 mn) lower than the previous year. The two areas of share in federal receipts (-5.2%) and funding and asset and debt management (-10.0%) contributed to this decline to more or less the same extent in terms of amount. The plunge in the share in federal receipts can be explained by the significantly lower losses on receivables (special factor the previous year) and lower cantonal shares of direct federal tax. Expenditure on funding was down considerably on the prior-year level because of the extremely low interest rate environment and the higher premi-

ums associated with this. With regard to fiscal equalization, expenditure remained at the previous year's level (+0.2%).

Transportation (8.4 bn, +2.5%): in 2014, approximately 61% of expenditure in the transportation task area was attributable to public transportation, 37% to road transportation and almost 2% to air transportation. Expenditure on both public transportation (-2.0%) and air transportation (-0.6%) fell. In the case of public transportation, the decline was due to the reduction in railway infrastructure's share in the annual deposit in the infrastructure fund and lower deposits in the fund for major railway projects. The fall in air transportation expenditure was only minor, driven primarily by the reduction in expenditure financed by the special financing for air transportation. In contrast, expenditure on road transportation soared by 11.1% because of a combination of higher investments in motorways and the higher share of roads in the infrastructure fund deposit than in 2013.

Education and research (7.0 bn, +0.8%): expenditure on education and research grew by 0.8% in 2014. Just over 40% of this expenditure was attributable to education (+132 mn) and almost 60% to research (-74 mn). The lower growth relative to 2013 can be explained by the uncertainty surrounding Switzerland's participation in the EU research programs Horizon 2020 and Euratom. Rising by 6.0%, expenditure on tertiary-level institutions continued to post a very substantial growth rate. The Confederation spent 1.4% more than in 2013 on vocational education, in line with the benchmark required by law.

National defense (4.3 bn, -9.2%): the Confederation spent 441 million less on national defense in 2014 than in 2013, corresponding to a negative growth rate of 9.2%. This decline can be explained

partly by a one-time payment in 2013 of pension contributions amounting to just over 150 million. Moreover, defense equipment expenditure fell by 142 million as a result of the rejected procurement of new fighter jets. In the case of defense equipment, there were also unutilized credits of 72 million due to project delays and beneficial contract negotiations. Finally, 110 million less than the previous year was spent in the area of tangible and intangible fixed assets and inventories owing to lower procurement costs and one-time procurements in 2013.

Agriculture and food (3.7 bn, -0.4%): agriculture expenditure remained more or less constant (-13 mn). direct payments, which account for around three quarters of agriculture expenditure, edged up by 16 million relative to the previous year. In contrast, expenditure fell in all other areas. In the area of production and sales (-19 mn), the measures decided by Parliament in 2013 to support the wine and pear juice market no longer applied, and in the case of fundamental improvements and social measures

(-5 mn), the bad weather led to unutilized credits with regard to structural improvements. The other expenditure not controlled by means of payment frameworks (-5 mn) fell mainly because of the lower agriculture family allowances.

International relations (3.5 bn, +6.6%): the Confederation spent 216 million more on international relations – international cooperation in 2014 than the previous year, which equates to a growth rate of 6.6%. Development assistance (+200 mn) was in turn a major expenditure driver; it still appears possible to achieve the intended objective of an ODA rate of 0.5% of gross national income by 2015. The Confederation spent 38 million more on economic relations than in 2013; the additional expenditure was largely due to Switzerland's contributions to EU enlargement. There was a year-on-year drop in the area of political relations (-23 mn), due among other things to the fact that only minor residual payments were still due in 2014 for the renovation of the United Nations office in Geneva.

33 Development of expenses by account group

The Confederation's total expenses posted a year-on-year decline of 1.9% (-1.2 bn). Only transfer expenses rose (+0.4%). Operating expenses were down by 5.6% because of special factors the preceding year and the rejection of the Gripen fighter jets. Finally, financial expense fell even more significantly (-15.7%) because of the low interest rate environment and an improved result from financial interests.

Expenses by account group

CHF mn	Fin. stmt. 2013	Budget 2014	Fin. stmt. 2014	Deviation vs. FS 2013	
				Absolute	%
Ordinary expenses	65 109	65 641	63 880	-1 229	-1.9
Operating expenses	13 429	13 202	12 674	-755	-5.6
Personnel expenses	5 476	5 482	5 409	-67	-1.2
General, administrative and operating expenses	4 830	4 268	4 237	-594	-12.3
Defense expenses	970	1 226	799	-170	-17.6
Deprec., amortiz. tangible/intangible fixed assets	2 153	2 225	2 229	76	3.5
Transfer expenses	48 838	50 274	49 028	190	0.4
Third parties' share in federal income	8 741	9 263	8 903	162	1.9
Compensation to public bodies	1 005	1 106	1 038	34	3.4
Contributions to own institutions	2 950	3 005	3 024	74	2.5
Contributions to third parties	15 286	15 681	15 215	-71	-0.5
Contributions to social insurance	16 295	16 170	16 155	-139	-0.9
Value adjustment on investment contributions	4 177	4 625	4 303	126	3.0
Value adjustment on loans and financial interests	385	424	390	5	1.3
Financial expense	2 578	2 099	2 174	-405	-15.7
Interest expense	2 128	1 984	1 978	-149	-7.0
Decrease in equity values	303	-	-	-303	-100.0
Other financial expense	147	115	195	48	32.3
Net expense for restricted funds in liabilities	264	66	4	-259	-98.3

Operating expenses posted a considerable year-on-year decline of 5.6%, due primarily to lower general, administrative and operating expenses and defense expenses. Transfer expenses edged up by 0.4%, driven mainly by third parties' share in federal income (increase in the CO₂ tax) and a higher value adjustment on investment contributions.

Operating expenses

Personnel expenses and general, administrative and operating expenses account for around three quarters of the Confederation's total operating expenses. The remainder is divided between defense expenses and depreciation and amortization.

Personnel expenses were down by 67 million on 2013. In that year, however, a one-time deposit of 250 million was made in favor of special categories of staff (border guards, senior career military officers, FDFA/SDC rotation staff). Adjusted for this one-time deposit, there was an increase of 183 million (+3.5%). This was made up of 26 million for wage measures, another 25 million for employer benefits (e.g. provisions for the pensions of members of the Federal Council, judges of the Federal Supreme Court, and the Federal Chancellor and Vice-Chancellor and bridging pensions) and 9 million for higher employer contributions to finance the early

retirement of the aforementioned special categories of staff. The remainder of the increase was largely due to the creation of jobs and the occupation of vacant positions (+880 FTEs).

The considerable decline of 12.3% in *general, administrative and operating expenses* relative to the 2013 financial statements can be explained by the high one-time net expense for provisions associated with radioactive waste and nuclear facilities the previous year (450 mn) as well as the significant drop in losses on receivables (-248 mn).

Defense expenses were down by 17.6%, largely due to lower expenses for defense equipment. This was caused by a combination of the voters' rejection of new fighter jets and project delays followed by unutilized credits.

The *depreciation and amortization of tangible and intangible fixed assets* occur primarily in the administrative units with major investments (over 90% at FEDRO, FOBL and armasuisse Immobilien). While the amortization of intangible assets was down by 32 million, the depreciation of tangible fixed assets increased by a total of 108 million, particularly in the case of depreciation on buildings (+64 mn), motorways (+28 mn) and property, plant and equipment (+19 mn).

Transfer expenses

Transfer expenses, i.e. financial aids and grants, account for approximately 75% of the Confederation's total expenses. The main recipients are social insurance and the cantons. Overall, transfer expenses increased by 190 million, or 0.4%, relative to the previous year.

Third parties' share in federal income posted a year-on-year increase of 162 million (1.9%), driven by higher expenditure for the redistribution of the CO₂ tax (+252 mn) and minor reductions in the shares of the cantons (-60 mn, primarily because of direct federal tax) and social insurance (-39 mn, mainly due to casino tax).

85% of *compensation to public bodies* is made up of contributions to the cantons in the area of asylum. The year-on-year increase of 34 million can be explained largely by the higher expenses at the Federal Office for Migration (+29 mn).

Approximately 80% of the *contributions to own institutions* (+74 mn) go to the ETH Domain, which received just over 94 million more than the previous year (+4%). Another share of just under 10% goes to the SBB in the form of operating compensation within the scope of the service level agreement; these contributions were down by 12 million on the previous year.

Contributions to third parties dropped slightly by 0.5%. The plunge in contributions to international organizations (-413 mn) caused by the end of various programs with the EU (as a result of the acceptance of the mass immigration initiative) stood against an increase of a similar magnitude in other contributions to third parties (+334 mn), where primarily the areas of education and research, international relations and transportation were up.

Contributions to social insurance fell by 0.9% relative to the previous year. However, this fall was due to a special factor. In 2013, the provision for future liabilities toward military insurance was increased by 644 million, whereas in 2014 only another 59 million was added, leading to a year-on-year drop of 585 million for this item. Without this distortion, an increase of 446 million would have been posted, driven essentially by higher benefits for AHV and disability insurance (+353 mn).

Value adjustments rose by a total of approximately 3% on the back of higher investment contributions.

Financial expense

Financial expense includes in particular the costs for providing the Confederation with the required liquidity, any valuation losses on the Confederation's financial interests and foreign exchange losses. Overall, financial expense posted a year-on-year decline of 405 million (-15.7%).

Interest expense worked out 149 million lower than the previous year. This was primarily as a result of the persistently low level of interest rates, which made it possible to reduce the interest burden further in the case of bonds.

The *decrease in equity values* shows a reduction in the Confederation's share in the net assets/equity of its significant interests. This can be caused by a reduction in either the financial interest or a company's net assets/equity. No such events occurred in 2014.

Other financial expense increased by 48 million relative to the previous year. In contrast to the previous year, withholding tax had to be paid on the bond tranches issued at a discount. Moreover, price losses were up due to greater market fluctuations.

Net expense for restricted funds in liabilities

Restricted funds in liabilities include the special financing for incentive fees (CO₂, VOC), as well as the casino tax. A net expense means that the restricted receipts worked out higher than the expenditure financed by the fund. The difference is credited to the fund and charged to the statement of financial performance accordingly. In 2014, the restricted receipts and the expenditure that these receipts finance were more or less balanced, with the result that only a small net expense for restricted funds in liabilities was necessary.

In 2014, the Confederation ended the year with a deficit for the first time since 2005 due to lower direct federal tax receipts and the weak development of value added tax. Expenditure growth in the 2016 budget and 2017–2019 legislature financial plan has to be reduced. The discontinuation of the exchange rate floor against the euro is likely to be an additional burden on the federal budget.

The budget outlook has deteriorated significantly with the closing accounts for 2014 due to the lower-than-expected receipts. The decision to discontinue the exchange rate floor on January 15, 2015 is impacting the federal budget through various channels. Overall, the negative risks are likely to prevail.

Reduced expenditure growth for 2016/2017

The Federal Council carried out a fiscal policy assessment in mid-February 2015, factoring in the 2014 closing accounts. The updated 2016–2018 financial plan shows structural deficits of approximately 1.3 billion each year for 2016 and 2017. This is caused mainly by adjustments for direct federal tax and value added tax. The receipts for both are lower because of the poor financial statements. In the case of direct federal tax, there is the additional fact that less robust growth has to be assumed for the future.

In order to comply with the debt brake requirements in the 2016 budget and create medium-term leeway for the third series of corporate tax reforms, the Federal Council has decided on adjustment measures, with the key focus on severely restricting expenditure growth. The expenditure areas that benefited from the unexpectedly low level of inflation in recent years have thus been cut by 3% relative to the 2016–2018 financial plan. Moreover, personnel expenses have been stabilized at the 2015 budget level and consultancy expenses have been reduced. The deposit in the infrastructure fund has also been reduced, associated with compensation two years later.

Following these measures, the 2016 budget has expenditure growth of approximately 1%. The measures are barely sufficient to meet the debt brake requirements. This presupposes that the measures contained in the 2014 consolidation and task evaluation package are implemented without any cutbacks. They were already contained in the existing plan.

Implications of the elimination of the exchange rate floor

The discontinuation of the exchange rate floor of CHF 1.20 per euro led to a sudden appreciation of the franc. Swiss exports have thus become significantly more expensive in the eurozone. Of the sectors that are sensitive to currency fluctuations, manufacturing and tourism are particularly affected.

The repercussions will depend on where the Swiss franc rate levels off. However, higher export prices are likely to lead to lower foreign demand and curb economic growth in 2015 and 2016. A recessionary phase cannot be ruled out either. Moreover, it is to be expected that inflation will stay around zero longer than previously anticipated because of falling import prices.

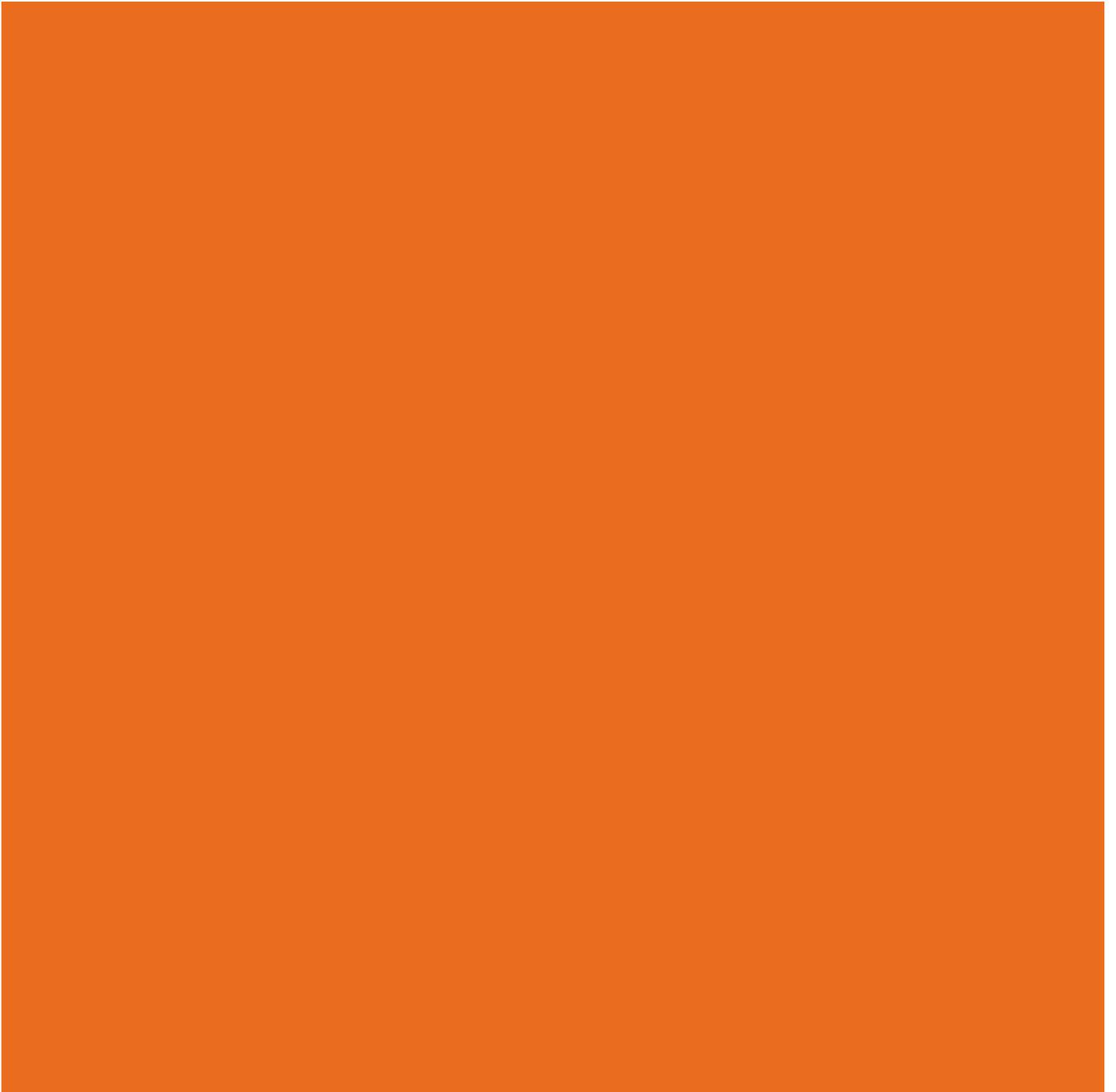
The federal budget can offset an economic downturn in the short term. The debt brake takes the cyclically-related reduction in receipts into account and permits a deficit to this extent. In contrast, the debt brake cannot cover inflation-related reductions in receipts, with the result that further inflation-driven corrections could become necessary in the budget for 2016 and in subsequent years. In terms of economic policy, the adjustment measures decided by the Federal Council are harmless, especially since domestic demand is not being weakened immediately by the appreciation of the franc.

Maintaining sound federal finances as a locational advantage

Switzerland is facing major economic challenges. Strong public finances are an important locational factor from an economic viewpoint. In this respect, Switzerland is still in an excellent position by international standards, even after its weaker closing accounts.

The debt brake has been a reliable compass for the Confederation's fiscal policy for more than ten years. It requires a balanced budget in the medium term but allows enough flexibility to react to changed economic circumstances. It is important to follow this guide especially in times of great economic uncertainty.

ANNUAL FINANCIAL STATEMENTS



51 Financing and flow of funds statement

CHF mn	Fin. stmt. 2013	Budget 2014	Fin. stmt. 2014	Deviation vs. FS 2013	
				Absolute	%
Overall fiscal balance	2 638	121	89	-2 549	
Ordinary fiscal balance	1 332	121	-124	-1 456	
Ordinary receipts	65 032	66 245	63 876	-1 156	-1.8
Tax receipts	60 838	62 270	60 197	-641	-1.1
Direct federal tax	18 353	20 113	17 975	-378	-2.1
Withholding tax	5 942	4 837	5 631	-311	-5.2
Stamp duty	2 143	2 300	2 148	5	0.2
Value added tax	22 561	22 960	22 614	53	0.2
Other consumption taxes	7 414	7 480	7 342	-72	-1.0
Misc. tax receipts	4 425	4 580	4 487	62	1.4
Royalties and concessions	922	899	591	-331	-35.9
Financial receipts	1 179	1 115	1 068	-110	-9.4
Financial interest receipts	853	864	781	-72	-8.5
Other financial receipts	326	251	287	-38	-11.8
Other current receipts	1 806	1 772	1 747	-59	-3.3
Investment receipts	286	189	272	-14	-4.9
Ordinary expenditure	63 700	66 124	64 000	300	0.5
Operating expenditure	10 456	10 790	10 051	-405	-3.9
Personnel expenditure	5 459	5 482	5 371	-88	-1.6
General, administrative and operating expenditure	4 030	4 082	3 880	-150	-3.7
Defense expenditure	968	1 226	801	-167	-17.2
Current transfer expenditure	43 720	45 299	44 352	632	1.4
Third parties' share in federal receipts	8 741	9 263	8 903	162	1.9
Compensation to public bodies	1 003	1 106	1 040	37	3.7
Contributions to own institutions	2 950	3 005	3 024	74	2.5
Contributions to third parties	15 237	15 680	15 288	52	0.3
Contributions to social insurance	15 789	16 245	16 097	308	2.0
Financial expenditure	2 167	2 174	1 951	-215	-9.9
Interest expenditure	2 125	2 149	1 887	-239	-11.2
Other financial expenditure	41	25	65	23	56.0
Investment expenditure	7 357	7 860	7 645	288	3.9
Tangible fixed assets and inventories	2 693	2 704	2 838	145	5.4
Intangible fixed assets	39	52	44	5	12.4
Loans	423	457	438	15	3.6
Financial interests	23	21	21	-2	-8.1
Own investment contributions	4 179	4 625	4 304	125	3.0
Extraordinary receipts	1 306	-	213	-1 094	
Extraordinary expenditure	-	-	-	-	

The financing and flow of funds statement (FFFS) is used on the one hand for determining the total financing requirements resulting from the difference between the Confederation's expenditure and receipts (*financing statement*). On the other, it shows how these requirements are to be covered (*flow of funds statement*; see next page) as well as which items in the statement of financial position change as a result (*"Federal fund" statement*).

The FFFS is prepared according to the direct method. All flows of funds are taken directly from the individual items in the statement of financial performance, the statement of investments and the statement of financial position.

Flow of funds statement

CHF mn	Fin. stmt.	Fin. stmt.	Deviation vs. FS 2013	
	2013	2014	Absolute	%
Total flow of funds	914	-3 499	-4 413	-482.8
Flow of funds from operations (overall fiscal balance)	2 638	89	-2 549	-96.6
Flow of funds from financial investments	-77	-671	-594	-773.7
Short-term financial investments	-73	-865	-792	-1 091.4
Long-term financial investments	-4	194	198	4 710.1
Flow of funds from debt financing	-1 647	-2 917	-1 269	-77.1
Short-term financial liabilities	-705	-1 932	-1 228	-174.3
Long-term financial liabilities	-784	-1 106	-321	-41.0
Liabilities for separate accounts	-144	81	225	156.3
Special funds in net assets/equity	-15	40	55	373.4

Result of the financing and flow of funds statement

An outflow of funds of 3.5 billion was posted in 2014. This resulted from opposing factors. On the one hand, the financing statement showed a smaller surplus (89 mn; *flow of funds from operating activities*). On the other, there was an outflow of funds due to the reduction in financial liabilities (-2.9 bn; *flow of funds from debt financing*), and financial investments increased (-671 mn;

flow of funds from financial investments). The negative balance of the “Federal fund” in 2014 (-2.3 bn) shows that current liabilities (including the withholding tax accrual recognized in the financing statement) exceeded cash and other liquid assets and receivables at the end of the year. The decrease in the “Federal fund” (-3.5 bn) corresponds to the total flow of funds for 2014.

"Federal fund" statement

CHF mn	2013	2014	Deviation vs. 2013	
			Absolute	%
Fund status as of 1.1.	289	1 203	914	-316.5
Fund status as of 31.12.	1 203	-2 296	-3 499	-290.9
Status as of 31.12.:				
Cash and cash equivalents	11 221	9 030	-2 192	-19.5
Receivables w/o allowance for doubtful accounts	6 915	6 990	75	1.1
Current liabilities incl. withholding tax accrual	-16 933	-18 316	-1 383	-8.2

Note: Only fund-relevant changes are taken into account, which is why there may be deviations from the change in the corresponding items in the statement of financial position.

Differences relative to the cash flow statement

The financing and flow of funds statement (FFFS) differs from the cash flow statement in accordance with the International Public Sector Accounting Standards (IPSAS) in terms of the structure and the content of the underlying fund:

- While the IPSAS prescribe a three-level structure according to operating activities (operating cash flow), investing activities (investing cash flow) and financing activities (financing cash flow), the FFFS makes a distinction between two levels, which are the overall fiscal balance and the flow of funds from financial investments as well as the flow of funds from debt financing.

- Unlike the “Cash and other liquid assets” fund which is relevant for IPSAS, the “Federal fund” includes amounts due from creditors (receivables) and amounts due to creditors (current liabilities) in addition to cash flows. This extended fund definition is based on the specifications of the Budget Act. A recognized account payable already constitutes expenditure on the credit side. Restricting recognition to pure cash flows would not be in line with the statutory requirements.

52 Statement of financial performance

CHF mn	Fin. stmt. 2013	Budget 2014	Fin. stmt. 2014	Deviation vs. FS 2013	
				Absolute	%
Surplus/deficit	1 108	496	1 193	85	7.7
Ordinary result	27	496	997	970	3 617.1
Operating result	713	1 446	1 131	418	58.6
Revenue	63 244	64 988	62 837	-407	-0.6
Tax revenue	60 338	62 270	60 188	-149	-0.2
Direct federal tax	18 353	20 113	17 975	-378	-2.1
Withholding tax	5 442	4 837	5 631	189	3.5
Stamp duty	2 143	2 300	2 148	5	0.2
Value added tax	22 561	22 960	22 608	47	0.2
Other consumption taxes	7 414	7 480	7 342	-72	-1.0
Misc. tax revenue	4 425	4 580	4 484	59	1.3
Royalties and concessions	845	840	525	-320	-37.9
Other revenue	1 967	1 863	2 065	98	5.0
Net revenue from restricted funds in liabilities	94	15	59	-35	-37.2
Expenses	62 531	63 542	61 706	-825	-1.3
Operating expenses	13 429	13 202	12 674	-755	-5.6
Personnel expenses	5 476	5 482	5 409	-67	-1.2
General, administrative and operating expenses	4 830	4 268	4 237	-594	-12.3
Defense expenses	970	1 226	799	-170	-17.6
Deprec., amortiz. tangible/intangible fixed assets	2 153	2 225	2 229	76	3.5
Transfer expenses	48 838	50 274	49 028	190	0.4
Third parties' share in federal income	8 741	9 263	8 903	162	1.9
Compensation to public bodies	1 005	1 106	1 038	34	3.4
Contributions to own institutions	2 950	3 005	3 024	74	2.5
Contributions to third parties	15 286	15 681	15 215	-71	-0.5
Contributions to social insurance	16 295	16 170	16 155	-139	-0.9
Value adjustment on investment contributions	4 177	4 625	4 303	126	3.0
Value adjustment on loans and financial interests	385	424	390	5	1.3
Net expense for restricted funds in liabilities	264	66	4	-259	-98.3
Financial result	-686	-951	-134	552	-80.5
Financial revenue	1 892	1 149	2 040	148	7.8
Increase in equity values	1 457	864	1 701	245	16.8
Other financial revenue	435	285	338	-97	-22.3
Financial expense	2 578	2 099	2 174	-405	-15.7
Interest expense	2 128	1 984	1 978	-149	-7.0
Decrease in equity values	303	–	–	-303	-100.0
Other financial expense	147	115	195	48	32.3
Extraordinary revenue	1 081	–	196	-885	-81.8
Extraordinary expenses	–	–	–	–	–
Ordinary result	27	496	997	970	3 617.1
Ordinary revenue	65 136	66 137	64 877	-259	-0.4
Revenue	63 244	64 988	62 837	-407	-0.6
Financial revenue	1 892	1 149	2 040	148	7.8
Ordinary expenses	65 109	65 641	63 880	-1 229	-1.9
Expenses	62 531	63 542	61 706	-825	-1.3
Financial expense	2 578	2 099	2 174	-405	-15.7

53 Statement of financial position

CHF mn	2013	2014	Deviation vs. 2013	
			Absolute	%
Assets	111 183	110 924	-258	-0.2
Non-administrative assets	34 459	32 904	-1 555	-4.5
Current assets	20 213	18 852	-1 361	-6.7
Cash and cash equivalents	11 221	9 030	-2 192	-19.5
Receivables	6 460	6 572	112	1.7
Short-term financial investments	1 551	2 551	1 000	64.4
Prepaid expenses and accrued income	981	700	-281	-28.6
Non-current assets	14 245	14 051	-194	-1.4
Long-term financial investments	14 245	14 051	-194	-1.4
Receivables from restricted funds in liabilities	-	-	-	-
Administrative assets	76 724	78 021	1 296	1.7
Current assets	305	260	-44	-14.6
Inventories	305	260	-44	-14.6
Non-current assets	76 419	77 760	1 341	1.8
Tangible fixed assets	52 642	53 172	530	1.0
Intangible fixed assets	201	212	11	5.7
Loans	3 372	3 266	-106	-3.2
Financial interests	20 204	21 111	906	4.5
Liabilities and equity	111 183	110 924	-258	-0.2
Short-term liabilities	37 533	37 475	-59	-0.2
Current liabilities	15 980	16 225	245	1.5
Short-term financial liabilities	15 556	13 565	-1 991	-12.8
Accrued expenses and deferred income	5 696	6 903	1 208	21.2
Short-term provisions	301	781	480	159.3
Long-term liabilities	97 658	96 239	-1 418	-1.5
Long-term financial liabilities	80 101	79 006	-1 095	-1.4
Liabilities toward separate accounts	1 610	1 691	81	5.0
Long-term provisions	14 528	14 210	-317	-2.2
Payables to restricted funds in liabilities	1 419	1 332	-87	-6.1
Net assets/equity	-24 008	-22 790	1 218	5.1
Restricted funds in net assets/equity	4 891	5 279	388	7.9
Special funds in net assets/equity	1 256	1 280	24	1.9
Reserves from global budget	221	187	-34	-15.3
Accumulated deficit	-30 377	-29 536	840	2.8

54 Statement of investments

CHF mn	Fin. stmt. 2013	Budget 2014	Fin. stmt. 2014	Deviation vs. FS 2013	
				Absolute	%
Statement of investments balance	-5 882	-7 671	-7 289	-1 407	
Ordinary statement of investments balance	-7 129	-7 671	-7 357	-229	
Ordinary investment receipts	286	189	272	-14	-4.9
Buildings	120	43	66	-54	-44.8
Property, plant and equipment	5	4	3	-1	-27.2
Motorways	7	5	1	-5	-80.5
Loans	155	137	199	44	28.7
Financial interests	–	–	2	2	–
Repayment of own investment contributions	1	–	0	0	-21.3
Ordinary investment expenditure	7 415	7 860	7 630	215	2.9
Buildings	787	741	737	-50	-6.3
Property, plant and equipment	134	141	98	-36	-26.8
Inventories	150	135	116	-34	-22.9
Motorways	1 681	1 687	1 872	191	11.3
Intangible fixed assets	39	52	44	5	12.3
Loans	423	457	438	15	3.6
Financial interests	23	21	21	-2	-8.1
Own investment contributions	4 178	4 625	4 304	126	3.0
Extraordinary investment receipts	1 246	–	68	-1 178	
Extraordinary investment expenditure	–	–	–	–	

The statement of investments shows expenditure incurred for the acquisition and accumulation of assets which are required for the performance of functions and used over successive periods (administrative assets). It also shows the receipts resulting from the sale or redemption of these assets. Investments are capitalized under administrative assets in the statement of financial position.

The investment expenditure shown in the tables also includes accruals and deferrals not recognized in the financing statement. As a result, these values may differ from the values shown in the financing and flow of funds statement (2013: +58 mn; 2014: -15 mn).

Reconciliation statement of investments and other changes in recognized administrative assets

2014 CHF mn	Total	Tangible fixed assets	Inventories	Intangible fixed assets	Loans	Financial interests	Investment contributions
Status as of 1.1.	76 724	52 642	305	201	3 372	20 204	-
Investment receipts	-340	-71	-	-	-199	-70	-
Investment expenditure	7 630	2 707	116	44	438	21	4 304
Other changes	-5 993	-2 106	-161	-32	-346	956	-4 304
Status as of 31.12.	78 021	53 172	260	212	3 266	21 111	-
2013 CHF mn	Total	Tangible fixed assets	Inventories	Intangible fixed assets	Loans	Financial interests	Investment contributions
Status as of 1.1.	76 426	52 325	277	210	3 482	20 132	-
Investment receipts	-1 533	-131	-	-	-155	-1 246	1
Investment expenditure	7 415	2 602	150	39	423	23	4 178
Other changes	-5 584	-2 154	-122	-48	-378	1 296	-4 177
Status as of 31.12.	76 724	52 642	305	201	3 372	20 204	-

The reconciliation table shows the proportion of changes in administrative assets attributable to the statement of investments and the proportion attributable to other changes. Other changes include primarily acquisitions and disposals not recognized in the statement of investments (e.g. retroactive capitalizations in

the statement of financial performance, transactions recognized directly in net assets/equity, deliveries ex stock for inventories), and changes in the carrying amount due to depreciation, value adjustments, reversals, increases and decreases in the equity value of financial interests, or price changes in relation to inventories.

55 Statement of net assets/equity

CHF mn	Total net assets/equity	Restricted funds in net assets/equity	Special funds	Reserves from global budget	Accumulated deficit
Status as of 1.1.2013	-24 999	4 418	1 278	225	-30 920
Entry transfers in net assets/equity	–	528	30	-2	-556
Change in special funds	17	–	17	–	–
Total positions entered in net assets/equity	17	528	47	-2	-556
Surplus or deficit	1 108	–	–	–	1 108
Total profit and loss entered	1 125	528	47	-2	552
Other transactions	-134	-55	-69	-2	-8
Status as of 31.12.2013	-24 008	4 891	1 256	221	-30 377
Entry transfers in net assets/equity	–	388	-1	-34	-353
Change in special funds	25	–	25	–	–
Total positions entered in net assets/equity	25	388	24	-34	-353
Surplus or deficit	1 193	–	–	–	1 193
Total profit and loss entered	1 218	388	24	-34	840
Other transactions	–	–	–	–	–
Status as of 31.12.2014	-22 790	5 279	1 280	187	-29 537

Negative net assets/equity declined from 24 billion to 22.8 billion in the year under review. The key contributory factor here was the surplus of 1.2 billion for the year. A further 594 million was credited to the special financing for FTA/WTO accompanying measures for the agri-food sector (transfer within net assets/equity).

Restricted funds in net assets/equity

Major changes occurred in the following special financing items. The special financing for road transportation declined by 227 million, mainly as a result of higher expenditure (+175 mn) following the scheduled winding-up of the construction programs. A total of 594 million from restricted customs revenue was credited to the special financing for FTA/WTO accompanying measures for the agri-food sector. No expenditure was incurred.

Special funds in net assets/equity

Overall, special funds recorded a positive result of 25 million. This does not include building amortization amounting to 1 million, which is recognized as an expense and then charged to the special fund assets via entry transfers in net assets/equity.

Reserves from global budgets

The reserves from global budgets declined by 34 million (balance of deposits less withdrawals).

Accumulated deficit

The accumulated deficit decreased by 840 million in the year under review. While the revenue surplus from the statement of financial performance (1,193 mn) and the release of reserves from global budgets (34 mn) and the entry transfer of building amortization from special funds (1 mn) caused the accumulated deficit to decrease accordingly, it increased as a result of the rise in restricted funds in net assets/equity (388 mn).

Function of the statement of net assets/equity

The statement of net assets/equity provides information on the effects of financial transactions recorded in the reporting period for assets and equity. Specifically, it indicates the expense and revenue items that are recognized directly in net assets/equity rather than in the statement of financial performance, and the impact of changes in reserves and restricted funds in net assets/equity.

61 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. In 2014, the various indicators changed little relative to the preceding year, with the exception of the debt ratio, which posted another slight decline. Internationally, most debt ratios posted further increases, while tax-to-GDP and general government expenditure ratios tended to decline slightly.

International comparison of public finance indicators for 2014

in % of GDP	Tax-to-GDP ratio	General government expenditure ratio	Deficit/surplus ratio	Debt ratio	Gross debt ratio
Switzerland	26.9	31.3	-0.1	34.2	45.9
EU - euro area	n.s.	49.1	-2.6	94.3	108.2
Germany	36.7	44.1	0.2	74.3	79.0
France	45.0	57.3	-4.4	95.8	114.1
Italy	42.6	51.1	-3.0	130.6	146.9
Austria	42.5	51.8	-3.0	86.1	103.4
Belgium	44.6	54.1	-2.9	106.1	119.2
Netherlands	n.s.	47.0	-2.6	69.8	77.8
Norway	40.8	46.0	9.9	n.s.	35.1
Sweden	42.8	54.6	-1.7	40.8	46.5
United Kingdom	32.9	43.9	-5.5	87.9	95.9
USA	25.4	38.4	-5.1	n.s.	109.7
Canada	30.6	39.8	-2.0	n.s.	93.9
OECD Ø	34.1	41.6	-3.9	n.s.	112.0

n.s.: not shown

Sources: OECD (Economic Outlook 96, November 2014; Revenue Statistics, December 2014). Switzerland: Financial Statistics (Swiss public finances, February 2015); due to the use of a different data basis, there could be minor differences relative to the results published by the OECD for Switzerland.

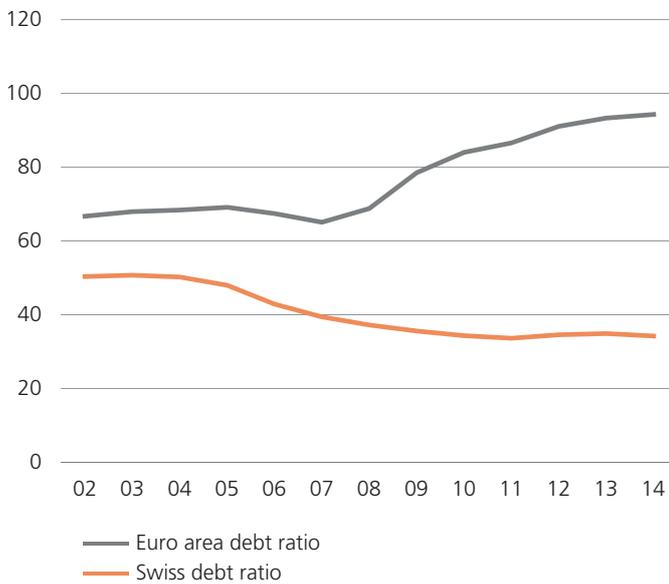
Notes:

- Debt ratio: gross debt in accordance with financial statistics (FS model), with reference to 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 2013

The tax-to-GDP ratio, which measures total tax receipts (tax and social insurance charges) in relation to GDP, amounted to 26.9% in 2013. Switzerland's general government expenditure ratio, defined as government expenditure in relation to GDP, remained one of the lowest in the OECD area. Switzerland's overall fiscal balance was barely in negative territory with a deficit ratio of -0.1%. Consequently, Switzerland is one of the few countries,

together with Germany, to have posted an insignificant deficit in 2014 or indeed none at all. Government debt remained low by international standards both with reference to the Maastricht definition and in terms of liabilities. Coming in at 34.2%, the debt ratio was still significantly below the 60% mark which is important for the euro area (see chart on next page).

Comparison of Swiss and euro area debt ratios in % of GDP



From 2008 onward, shortly after the start of the financial crisis, government debt literally soared in the euro area. By contrast, Switzerland's debt ratio remained far below the 60% mark which is relevant for the countries of the euro area. The gap widened again in 2014.