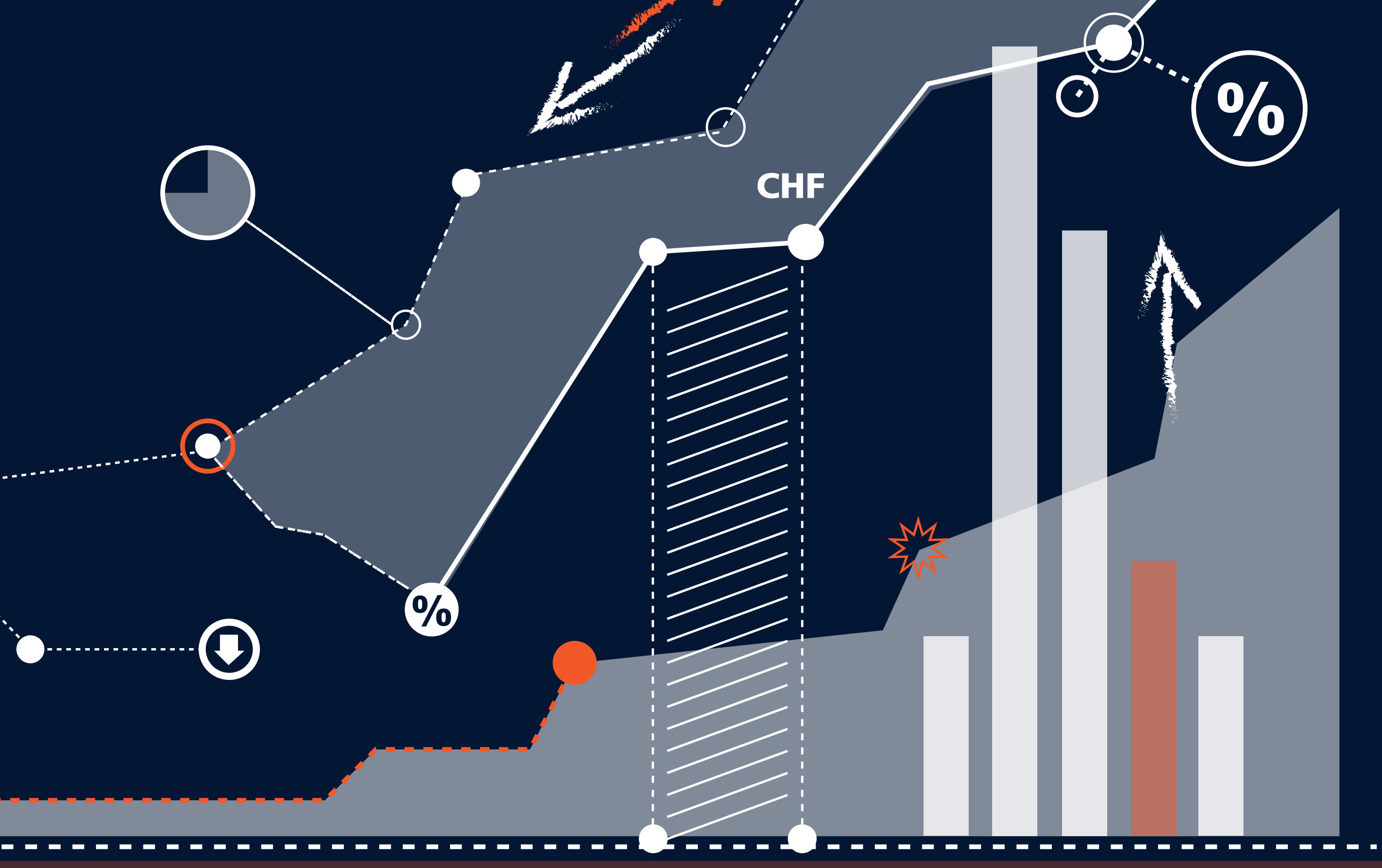
Swiss public finances 2021–2024

Main publication of the financial statistics

18

General government and finance

Bern 2023



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Contents

1 Brief summary

2022 - In 2022, the Swiss economy and thus also the overall situation of public finances staged a substantial recovery after the end of the COVID-19 pandemic. The financial statistics indicators for fiscal 2022 show a positive financing surplus of 6.9 billion. Receipts were up by 7.1 billion, while expenditure fell by 6.5 billion to 243.1 billion.

This good result was driven primarily by the cantons, which posted a positive balance of 5.0 billion, and by the social security funds, which also closed with a positive balance of 5.0 billion. By contrast, the Confederation and municipalities sub-sectors ended the year with negative fiscal balances of -2.9 billion and -0.2 billion, respectively.

It is important to note that the figures for 2022 are subject to uncertainty, as they are partly based on estimated values.

2023 - The Swiss economy got off to a good start at the beginning of 2023, but growth is set to stagnate for the remainder of the year. Despite the below-average growth of 1.3% overall (in real terms, adjusted for sporting events), the general government is still expected to post a positive result. Its fiscal outlook is largely shaped by the positive fiscal balances of the cantons and social security funds. In the case of the cantons, stable receipts and slightly rising expenditure will lead to a lower balance than in the previous year, but it will remain clearly positive. The social security funds' surplus is attributable mainly to lower expenditure and additional receipts thanks to the persistently stable high level of employment. Overall, therefore, a surplus of 5.8 billion is anticipated in the FS Model, which allows for national comparability between the individual government units.

Using the figures from the GFS Model, which facilitates international comparability with other countries, a surplus of 0.8% of economic output is expected in 2023. By comparison, the member states of the Organisation for Economic Co-operation and Development (OECD) are expected to post a deficit of -3.6% of nominal gross domestic product (GDP) on average. Aside from Switzerland, the other OECD countries likely to post a surplus in relation to GDP in 2023 are Norway (16.0%), Denmark (2.4%) and Ireland (1.6%). Norway and Denmark benefit to a very great extent from their oil and gas industries in times of high energy prices.

Switzerland's general government expenditure ratio will probably return to its pre-crisis level of 32.0% in 2023. Compared with the OECD area, it will thus remain well below average. The general government's gross debt ratio (as defined by the International Monetary Fund) is likely to be 36.6% for Switzerland, i.e. slightly below the previous year's figure of 36.9%, while it will be 95.9% for the euro area and 113.9% for the OECD countries. After having jumped to a maximum of 20.5% in 2020-2021 because of the high funding requirements associated with the stabilization measures to combat the COVID-19 crisis, net debt has been falling again since 2022. Buoyed by the economic recovery and positive fiscal balances, the net debt ratio is expected to reach 14.3% in 2023.

2024 - Swiss economic growth at the end of 2024 is forecast to be below average and similar to the 2023 level. Nonetheless, the general government is expected to post a positive fiscal balance of 8.2 billion, due primarily to the more restrictive expenditure policy at cantonal level and higher receipts for the social security funds as a result of the VAT increase as part of the AHV reform. The cantons and social security funds are likely to achieve financing surpluses of 3.4 billion and 6.1 billion, respectively, while the Confederation (-0.8 bn) and municipalities (-0.5 bn) are expected to post financing deficits.

Driven by relatively stronger economic growth than expenditure growth, Switzerland's general government expenditure ratio is likely to fall to 31.5% of GDP in 2024, i.e. 0.5 percentage points below the pre-crisis level of 2019. Compared with other OECD countries, Switzerland's general government expenditure ratio will remain low in the years ahead.

With regard to debt, Switzerland's net debt ratio is expected to remain significantly lower than the average for OECD countries (47.9%) and the euro area (74.3%). It is estimated that Switzerland's ratio will be 14.0% in 2024. Nominal net debt was historically high at 142.3 billion in 2021 because of the COVID-19 crisis. After being reduced in 2022, it is projected that net debt will reach 114.9 billion in 2024. The net debt ratio will decline steadily as a percentage of GDP, partly as a result of economic growth.

Risks - The greatest source of uncertainty for the public finances lies in the fact that the economic situation could deteriorate because of the impact of international developments (war in Ukraine, sharper rises in energy and commodity prices, and further procurement and supply difficulties for raw materials and goods). Furthermore, monetary policy could become even more restrictive, both globally and in Switzerland, in order to combat inflation. These risks would result in higher government spending and lower tax receipts, which would put a burden on the public finances. Another risk relates to the profit distributions from the Swiss National Bank (SNB). With no profit paid out to the Confederation and the cantons in 2023, the future evolution of distributions remains highly dependent on the SNB's business performance.[1]

In the medium term, possible additional burdens largely on the expenditure side are up for discussion, amounting to 1.6 billion as early as 2025. These include relations with the EU, where additional expenditure of over 1 billion is possible for participation in the Horizon research program, for example, or a potential regular contribution to cooperation and stability in Europe. Additional expenditure could also be incurred for people from Ukraine seeking protection or for the reconstruction of Ukraine. In the longer term, there is a threat of additional burdens in terms of receipts, especially in the form of tax reforms (reform of the taxation of married couples and families/individual taxation).

1 Under the National Bank Act, the SNB is obliged to form provisions from its annual surplus in order to maintain the currency reserves at the level required for monetary policy purposes. The profit remaining after allocating funds to provisions is generally available for distribution to the Confederation and the cantons.

2 Introduction

This document, entitled “Swiss public finances”, is the main publication of the Financial Statistics Section of the Federal Finance Administration. This annual publication is usually issued in October and is only available in electronic format.

Since a wide range of financial statistics data tables is available on the FFA website, this main publication focuses on the visual presentation of the data. The data tables on which the charts are based can also be downloaded in Excel format by clicking on the icon on the right above the chart. In addition, starting this fall, all financial statistics data will be published on the FFA’s new data portal and displayed also in the form of dashboards. The nationally comparable data (FS) are available via the following link: Swiss public finances. The internationally comparable data (GFS) are available here: Public finances in international comparison.

This publication deals primarily with the trend of the finances of the general government sector as a whole. The most important developments in the sub-sectors (Confederation, cantons, municipalities and social security funds) are presented in certain charts and explained in the text.

Section 3 of this main publication presents the trend and structure of receipts and expenditure by economic classification, the structure and trend of expenditure by function, and the structure and trend of the statement of financial position. Section 4 provides an international comparison of the main public finance indicators.

This publication contains the definitive 2021 financial statistics figures for the government units in accordance with national and international statistics standards. It also contains initial provisional results for 2022, as well as estimates and forecasts for the main aggregates for 2023 and 2024. Forecasts up to 2027 for certain aggregates can additionally be found on the FFA website.

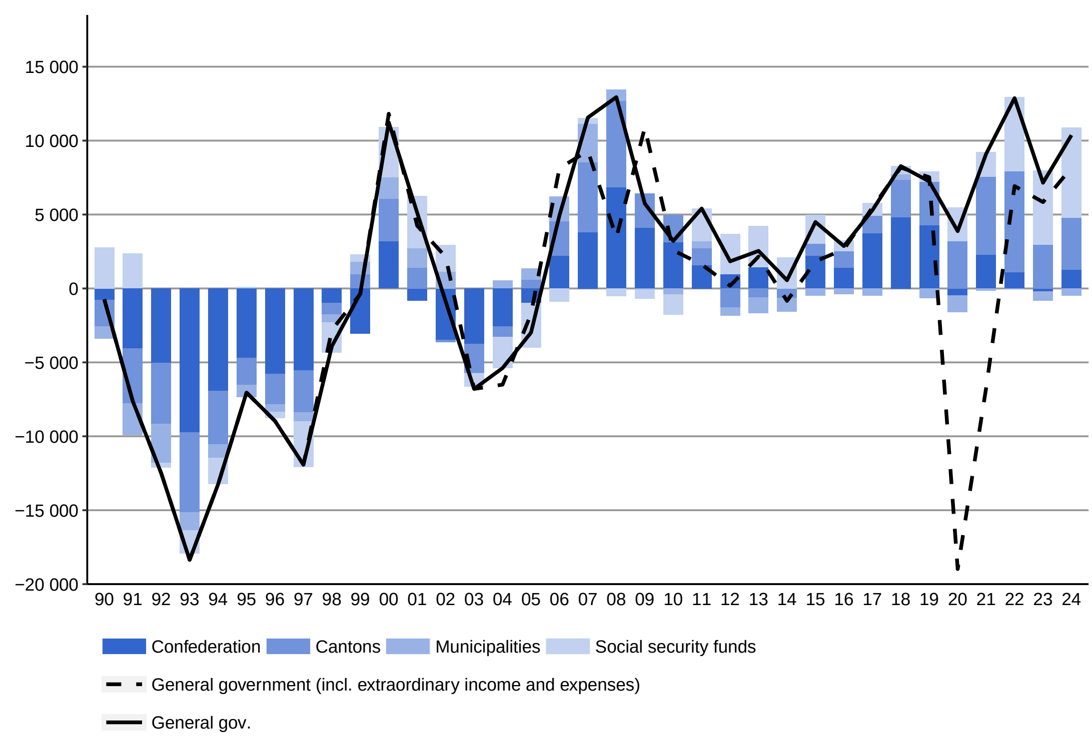
3 Switzerland's public finances in accordance with national guidelines (FS)

The FS Model is used for the national comparability of government units. It is based on the national accounting models for the cantons and municipalities (HAM1 and HAM2) and the Confederation (NAM). This section presents the main financial aggregates (balance, receipts, expenditure, statement of financial position and debt) for the general government sector in accordance with the FS Model.

3.1 Fiscal balance, receipts and expenditure

Fiscal balance - Figure 1 shows the trend of the government units' fiscal balance for the period from 1990 to 2024. The black curve and the blue bars show the ordinary fiscal balance, i.e. the difference between ordinary receipts and ordinary expenditure, for the general government sector and its sub-sectors (Confederation, cantons, municipalities and social security funds). The black dashed line shows the overall fiscal balance, which includes extraordinary receipts and expenditure.

Figure 1: Overall fiscal balance 1990–2024 (CHF mn)



Source: Swiss financial statistics – Main aggregates and forecasts with the FS Model (21.09.2023)

Between 2014 and 2019, the general government's financial position improved in terms of both the ordinary fiscal balance and extraordinary receipts and expenditure. In 2020, however, the COVID-19 pandemic led to the biggest economic crisis in decades and left deep financial scars. Major expenditure on health and on safeguarding incomes and jobs resulted in a financing deficit of 19 billion.

The pandemic-related burden continued in 2021, with general government expenditure remaining at a high level of 249.6 billion. This expenditure was incurred mainly for income support measures, the labor market and health measures. Although general government receipts improved compared with 2020, a financing deficit of 6.7 billion remained. Despite the persistent financial challenges, the deficit was nevertheless considerably smaller than in 2020.

2022 - With the end of the COVID-19 pandemic, the Swiss economy improved significantly in 2022, as did the public finances as a whole. Funds not fully utilized to cushion the COVID-19 pandemic, solid tax growth for the cantons, and relatively lower expenditure and higher receipts for the social security funds made a major contribution to the positive financial development of the general government sector. A surplus of 6.9 billion is thus expected in the FS Model for the general government, thanks mainly to the high positive fiscal balances of the cantons and social security funds. Receipts were up by 7.1 billion, while expenditure was down by a hefty 6.5 billion to 243.1 billion.

This good result was driven primarily by the cantons, which posted a positive fiscal balance of 5.0 billion, and by the social security funds, which also closed with a positive balance of 5.0 billion. By contrast, the Confederation and municipalities sub-sectors ended the year with negative fiscal balances of -2.9 billion and -0.2 billion, respectively.

Gross debt rose by 5.4 billion to around 240 billion in 2022, while net debt fell by 4.8 billion to 119.1 billion. The divergent trends of gross and net debt are due in part to the higher amount of liquidity held by the Confederation.

The 2022 figures are subject to uncertainty, as they are partly based on estimated values.

2023 - Bolstered by strong demand, the Swiss economy grew nicely at the beginning of 2023. This positive momentum slackened in the second quarter, and the latest figures show that the economy stagnated in the third quarter. The stagnation was due primarily to a smaller rise in exports caused by the stronger Swiss franc and less investment in equipment in response to lower capacity utilization. This will probably lead to below-average (real) GDP growth of 1.3% year on year in 2023.

Despite the below-average growth overall, the general government is still expected to post a positive result of 5.8 billion in 2023, once again driven largely by the positive fiscal balances of the cantons and social security funds. The social security funds will continue to benefit from the stable high level of employment, which leads to lower expenditure and higher receipts. The Confederation sub-sector will post a financing deficit again in 2023, just like in the three preceding years, but, at 1.2 billion, it will be down by 1.7 billion on the previous year.

The general government's extraordinary expenditure is likely to be lower than the previous two years and should amount to 1.8 billion in 2023. Most of this is incurred by the Confederation and the cantons, and consists of transfers from the Confederation to the cantons to finance their expenditure for social welfare lump sums for people from Ukraine seeking protection. The extraordinary expenditure of the consolidated general government stands against extraordinary receipts of 474 million. Most of these are received by the Confederation and include repayments of COVID-19 credits and loans, as well as extraordinary receipts from the risk premium on the liquidity assistance loan to Credit Suisse.

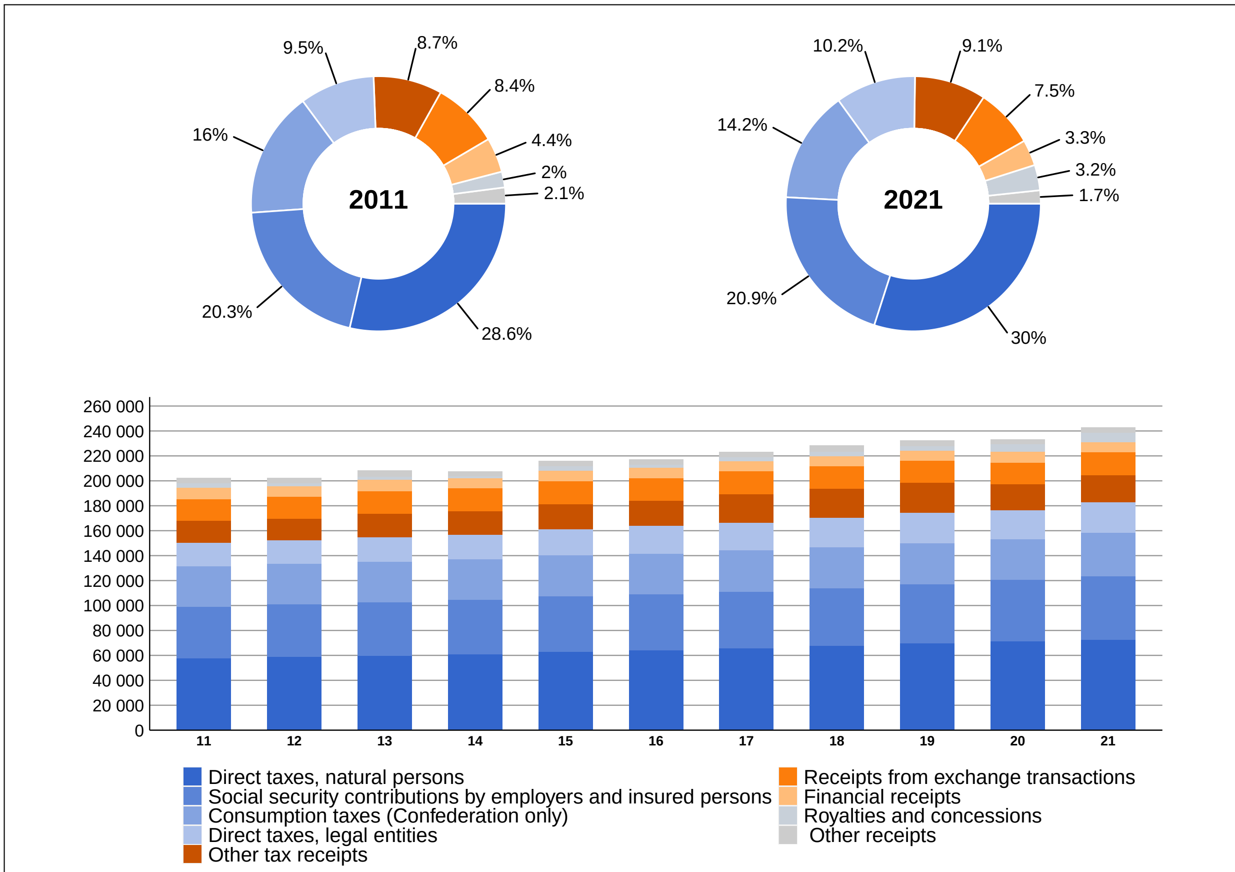
2024 - Swiss economic growth at the end of 2024 is forecast to be below average and similar to the 2023 level. Internationally, inflation is likely to continue to cool off due to tighter monetary policy, and a certain recovery in global demand is anticipated. However, consumer demand is likely to weaken. Nevertheless, a positive general government result of 8.2 billion (1.0% of GDP) is expected, due primarily to the more restrictive expenditure policy at cantonal level and higher receipts for the social security funds as a result of the VAT increase as part of the AHV reform. A financing deficit of 0.8 billion is forecast for the Confederation sub-sector. Higher extraordinary expenditure associated with the war in Ukraine and the capital contribution to SBB are the main reasons for the renewed deficit.

Risks - The greatest source of uncertainty for the public finances lies in the fact that the economic situation could deteriorate because of the impact of international developments (war in Ukraine, sharper rises in energy and commodity prices, and further procurement and supply difficulties for raw materials and goods). Furthermore, monetary policy could become even more restrictive, both globally and in Switzerland, in order to combat inflation. These risks would result in higher government spending and lower tax receipts, which would put a burden on the public finances. As the Swiss National Bank (SNB) will not pay out any profit to the Confederation and the cantons in 2023, the future evolution of distributions remains highly dependent on the SNB's business performance. This is subject to considerable uncertainty.

In the medium term, possible additional burdens largely on the expenditure side are up for discussion, amounting to 1.6 billion as early as 2025. These include relations with the EU, where additional expenditure of over 1 billion is possible for participation in the Horizon research program, for example, or a potential regular contribution to cooperation and stability in Europe. Additional expenditure could also be incurred for people from Ukraine seeking protection or for the reconstruction of Ukraine. In the longer term, there is a threat of additional burdens in terms of receipts, especially in the form of tax reforms (reform of the taxation of married couples and families/individual taxation).

Receipts by economic classification - The definitive figures for the 2021 financial statistics shed some light on the structure of the general government sector's receipts and expenditure. Figure 2 shows the trend and structure of the general government sector's receipts according to the economic classification set out in the Harmonized Accounting Model for the Cantons and Municipalities (HAM2).

Figure 2: Receipts by economic classification (in CHF mn and % of total)

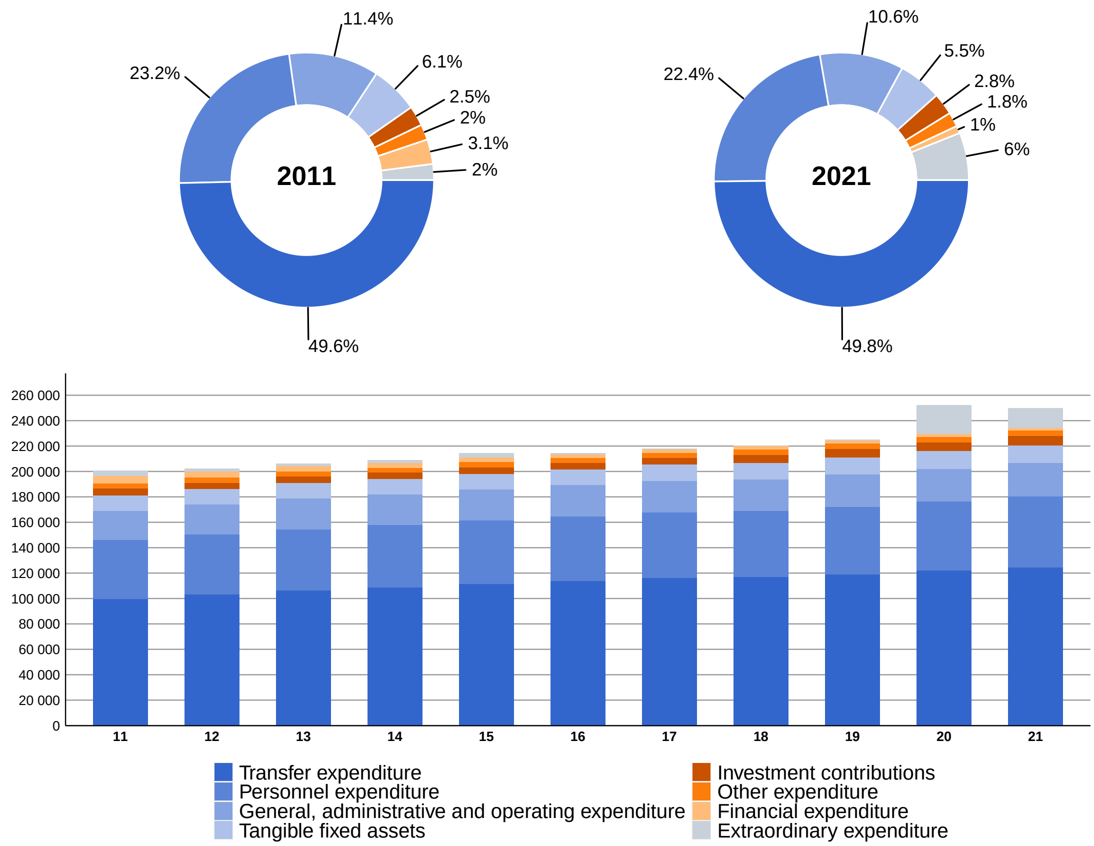


Source: Swiss financial statistics – FS Model (31.08.2023)

The general government's receipts have grown by 40.6 billion since 2011, with ordinary receipts climbing by 20.0%. As illustrated in Figure 2, the financing structure of the general government sector remained very stable from 2011 to 2021. Accounting for 84.3% of total receipts in 2021, taxes are the main source of government financing. Around 205 billion of the total receipts of 243 billion came from various types of tax. Coming in at 30%, receipts from direct taxes of natural persons accounted for the largest share of total receipts in 2021. Social security contributions by employers and insured persons were the second-largest category, with receipts of 50.7 billion, or 20.9% of the total, in 2020. Both of these main receipt categories have accounted for around half of the general government sector's receipts since 2011. This is likely to remain the case in the years ahead.

Expenditure by economic classification - The structure of expenditure by economic classification is more volatile than that of receipts, as shown in Figure 3. Most of the general government sector's funds flowed to the other economic sectors (companies, households) via transfer expenditure. This was also the case for expenditure incurred as a result of the measures taken in response to the COVID-19 crisis, which in 2021 mainly benefited businesses, salaried workers and self-employed persons affected by the crisis in the form of extraordinary transfer payments.

Figure 3: Expenditure by economic classification (in CHF mn and % of total)



Source: Swiss financial statistics – FS Model (31.08.2023)

Over a 10-year period, ordinary transfer expenditure has grown by 24.8 billion. It is the largest expenditure category in terms of total expenditure. Its share of total expenditure edged up from 49.6% in 2011 to 49.8% in 2021. By contrast, the proportion of financial expenditure fell from 3.1% of the total in 2011 to 1% in 2021. During this period, financial expenditure dropped by a total of 3.9 billion, which can be explained, among other things, by persistently falling interest rates and the debt reduction that took place.

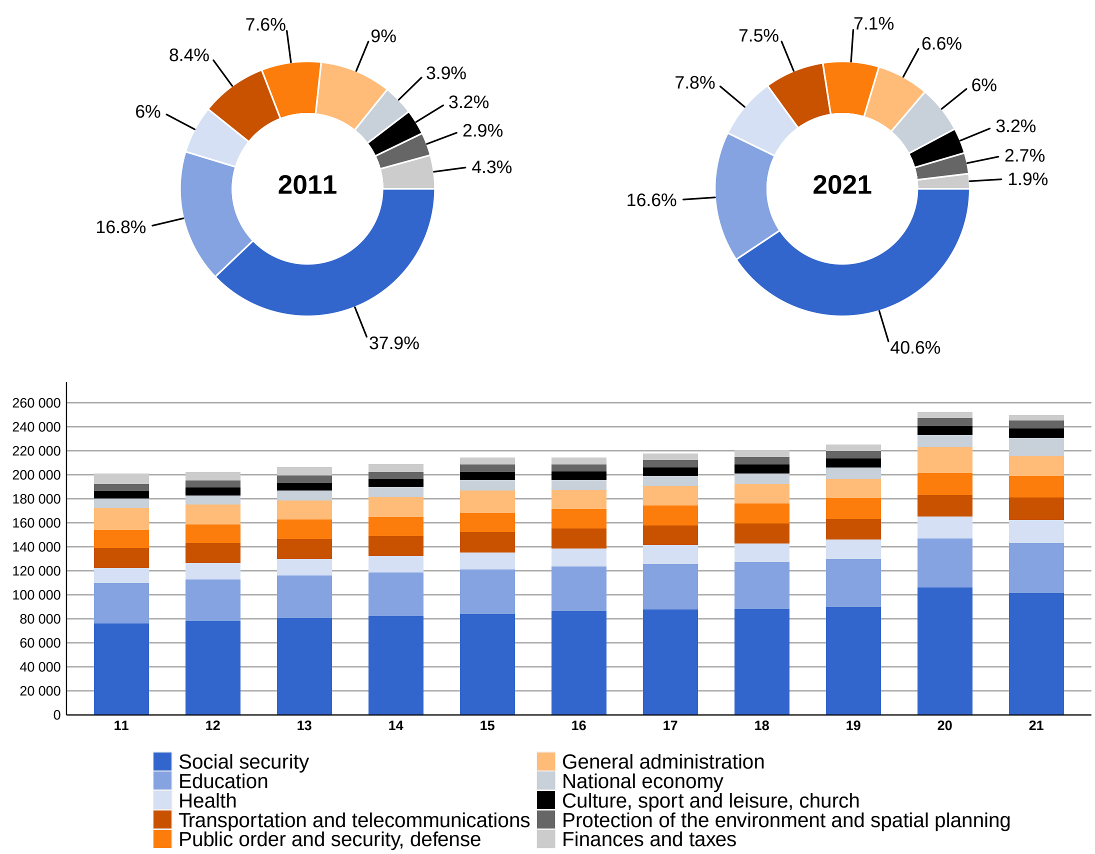
As can likewise be seen in Figure 3, personnel expenditure and general, administrative and operating expenditure have risen by 20.5% and 15.6%, respectively, since 2011, while their proportion of total expenditure has decreased by 0.8 percentage points.

Expenditure by function - Figure 4 shows the trend and structure of the general government sector's expenditure according to the functional classification set out in the Harmonized Accounting Model for the Cantons and Municipalities (HAM2). Total expenditure amounted to 250 billion in 2021, i.e. an increase of around 49 billion relative to 2011 (+24.4%). In 2021, the social security and education task areas accounted for 40.6% and 16.6%, respectively, of total general government expenditure.

Education is the second-largest expenditure item according to the functional classification. In 2021, the general government sector spent 41.4 billion on education. Ordinary education expenditure has grown by 7.6 billion, or 22.5%, since 2011. Obligatory schooling (+4.0 bn), tertiary-level institutions (+1.7 bn) and research (+0.8 bn) experienced the biggest increases over the 10-year period.

In the area of social security, ordinary expenditure has climbed by 19.1 billion, or 25.1%, since 2011. This is reflected chiefly in the rise in expenditure for old-age and survivors' insurance, with ordinary expenditure for the old age and survivors task area growing by 9.5 billion to 51.4 billion during this period. The funding for social welfare and asylum affairs has seen an increase of 2.1 billion since 2011. Ordinary expenditure in the disability and sickness and accident functional groups rose by around 3 billion during the same period. In 2021, the government units spent a total of 101.5 billion on social security, and 6.3 billion of this was extraordinary in nature. The extraordinary expenditure was predominantly for short-time working compensation as a result of the COVID-19 pandemic. An overview of the expenditure incurred to contain the COVID-19 pandemic is provided in the following section.

Figure 4: Expenditure by function with the FS Model (in CHF mn and % of total)



Source: Swiss financial statistics – FS Model (31.08.2023)

Expenditure for measures to contain the COVID-19 pandemic and for the Ukraine crisis - Table 1 shows the COVID-19 expenditure of the Confederation and the cantons in millions of Swiss francs. In the case of the cantons, both expenditure using own funds and that including the federal contributions received are shown. The specific cantonal expenditure items by function are shown excluding federal contributions. The Confederation sub-sector's COVID-19 expenditure accounted for 16.4% of the Confederation's total expenditure in 2020, 15.4% in 2021, and 4.3% in 2022. By contrast, the proportion for the cantons was 2.7% in 2020, 6.8% in 2021, and 2.0% in 2022. The combined COVID-19 expenditure of the Confederation and the cantons accounted for 6.8% of total general government expenditure in 2020, 6.6% in 2021 and 2.2% in 2022.

Table 1: COVID-19 expenditure by function with the FS Model (in CHF mn)

	2020 Calculation	2021 Calculation	2022 Calculation	2020-2022 Total
Confederation	**14 672**	**13 738**	**3 532**	**31 943**
General Administration	333	271	60	664
Public order and security, defense	9	5	1	14
Education	-	-	-	-
Culture, sport and leisure, church	311	460	147	917
Health	815	1 908	1 840	4 563
thereof contributions Confederation SARS-CoV-2 tests	*194*	*1 184*	*1 202*	*2 580*
Social security	12 982	6 160	962	20 104
thereof contributions Confederation to unemployment insurance	*10 775*	*4 338*	*664*	*15 777*
thereof payments to income compensation	*2 201*	*1 799*	*285*	*4 285*
Transportation and telecommunications	150	460	195	805
Protection of the environment and spatial planning	-	-	-	-
National economy	74	4 474	328	4 875
thereof hardship measures to corporations	*-*	*4 194*	*- 55*	*4 139*
Finances and taxes	-	-	-	-
Miscellaneous expenditures	-	-	-	-
Cantons without contributions Confederation	**2 556**	**2 630**	**1 704**	**6 890**
General Administration	12	12	1	25
Public order and security, defense	15	17	1	32
Education	- 117	- 86	- 65	- 268
Culture, sport and leisure, church	268	254	92	615
Health	1 503	1 274	500	3 278
thereof transfer expenditures to hospitals	*1 157*	*391*	*132*	*1 680*
Social security	188	47	- 19	216
Transportation and telecommunications	189	179	29	398
Protection of the environment and spatial planning	0	-4 194	- 152	-4 346
National economy	498	5 126	1 317	6 941
thereof hardship measures to corporations	*424*	*4 880*	*1 294*	*6 598*
Finances and taxes	0	-	-	0
Cantons with contributions Confederation	**2 733**	**6 947**	**2 003**	**11 684**

Source: Swiss financial statistics – Special evaluation (21.09.2023)

The social security task area is the largest expenditure item in the Confederation sub-sector, while in the cantons sub-sector it is the health task area. The breakdown of expenditure by task area differs from year to year. Whereas in 2020 most of the social security expenditure for the Confederation and health expenditure for the cantons was earmarked, in 2021 it was primarily cantonal hardship assistance for businesses in the national economy task area which played an important role for the cantons. It is also evident from their proportion of COVID-19 expenditure relative to total expenditure in 2021 that the cantons implemented hardship measures for businesses, with COVID-19 expenditure as a percentage of the cantons' total expenditure surging from 2.7% to 6.8% in 2021. However, since the Confederation assumed the bulk of the hardship assistance costs, the cantons' expenditure using own funds remained relatively unchanged when compared with 2020.

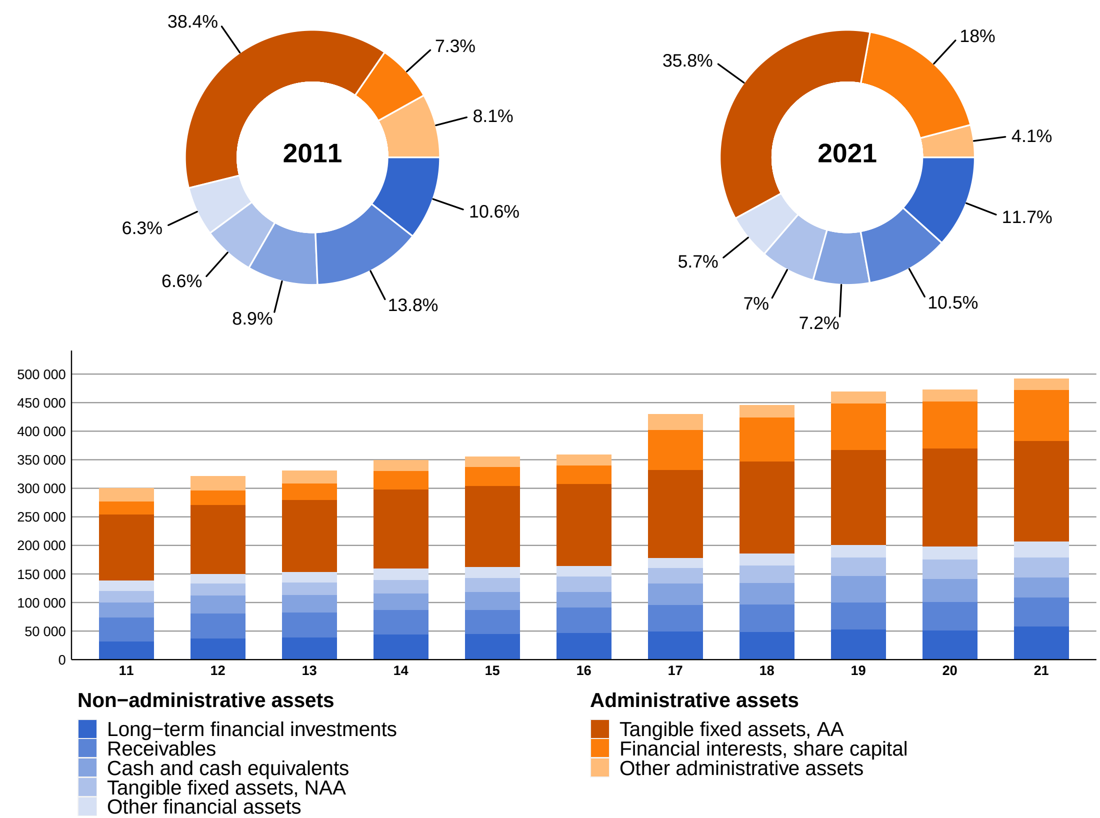
Federal expenditure in connection with the Ukraine crisis amounted to around 0.7 billion in 2022. At the cantonal level, expenditure of 0.32 billion is expected, with the largest item (0.21 bn) relating to refugees and housing. For 2023, costs of 1.7 billion are forecast at the federal level, with 0.36 billion budgeted for the cantons.

3.2 Statement of financial position and debt

The subsection on the statement of financial position and debt discusses the trend and structure of the general government sector's statement of financial position from 2011 onward. It also covers the debt trend over the same period.

Assets - At the end of 2021, the assets on the general government's statement of financial position totaled around 492 billion, i.e. 19.6 billion (4.1%) more than at the end of 2020. Over a 10-year period, total assets rose by 191.5 billion. That sharp increase can be largely attributed to the revaluation of assets by the cantons and municipalities when switching to the new Harmonized Accounting Model (HAM2). The value of tangible fixed assets under administrative assets alone climbed by 60.6 billion relative to the end of 2011 and accounted for 35.8% of total assets in 2021. Financial interests and share capital also posted robust growth, with a rise of around 67 billion compared with 2010. Their proportion of total assets thus went from 7.3% in 2011 to 18.0% in 2021. With regard to non-administrative assets, cash and cash equivalents rose by 8.4 billion relative to 2011. Long-term financial assets have also surged since 2011 (+25.7 bn).

Figure 5: Assets in accordance with the FS (in CHF mn and % of total)

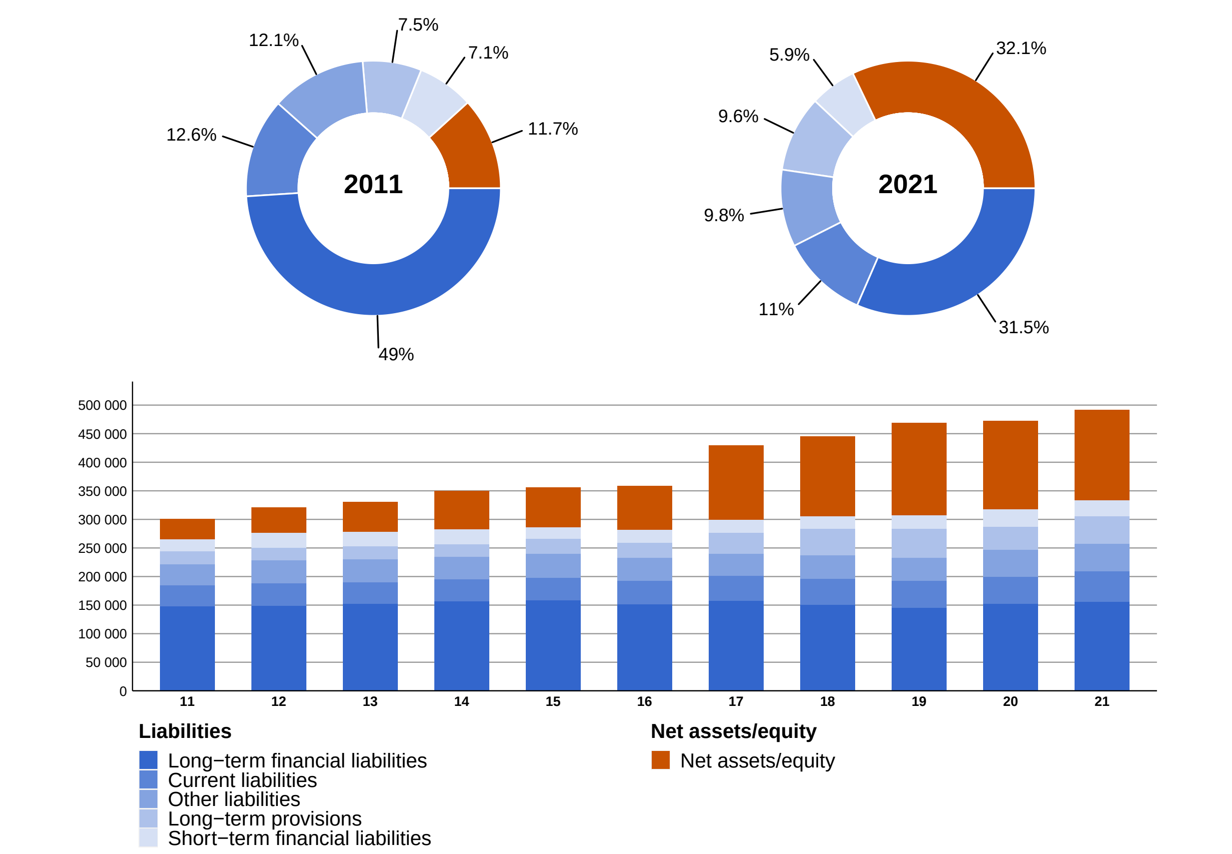


Source: Swiss financial statistics – FS Model (31.08.2023))

Liabilities and equity - According to the definitive financial statistics figures, the general government sector's liabilities amounted to 333.9 billion at the end of 2021. This represents a rise of 16.3 billion on the previous year's figure and a 10-year increase of 68.6 billion (+25.9%). The change over the 10-year period was driven primarily by the increase in long-term provisions, which were around 25 billion (+111.2%) higher than at the end of 2011. The increase in long-term provisions was largely attributable to the Confederation sub-sector, whose provisions for future refund claims rose sharply. Over a 10-year period, short-term financial liabilities and accrued expenses and deferred income likewise jumped by 7.5 billion and 13.5 billion, respectively. Finally, the sharp increase in net assets/equity at the general government level was due to good results and adjustments made in connection with the changeover to the HAM2. Relative to 2011, net assets/equity rose by 122.8 billion.

The development of the various liability items is shown in Figure 6. Since 2011, the proportion of long-term financial liabilities has dropped by 17.5 percentage points to 31.5% of total liabilities and equity. However, the proportion of net assets/equity increased by 20.4 percentage points to 32.1% during the same period.

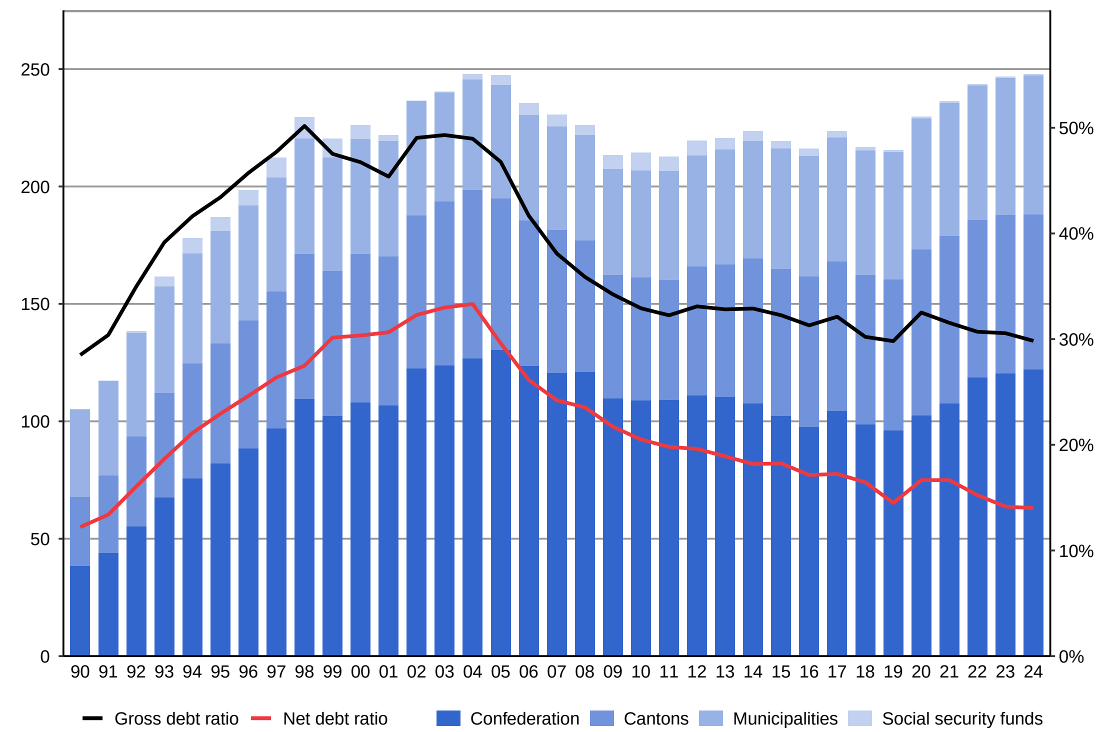
Figure 6: Liabilities and equity in accordance with the FS (in CHF mn and % of total)



Source: Swiss financial statistics – FS Model (31.08.2023)

Debt - Gross debt in accordance with the Harmonized Accounting Model for the Cantons and Municipalities (HAM2) is defined as the sum of current liabilities and short-term and long-term financial liabilities less the carrying amount of short-term and long-term derivative financial instruments and less the carrying amount of investment contributions recognized as liabilities. The HAM2 defines net debt as total liabilities less investment contributions recognized as liabilities and less non-administrative assets. Figure 7 illustrates the trend of nominal gross debt since 1990 for the general government sector and its four sub-sectors (blue bars), as well as that of gross debt (black curve) and net debt (red curve) as a percentage of nominal GDP for the general government sector.

Figure 7: Debt trend in accordance with the FS in CHF bn (lhs) and % of nominal GDP (rhs)



Source: Swiss financial statistics – Main aggregates and forecasts with the FS Model (21.09.2023)

Nominal gross debt grew at a rapid pace in the early 1990s and peaked at 245.9 billion in 2004. Starting in 2004, gross debt began to decline both in nominal terms and as a percentage of GDP thanks to the favorable economic situation, the introduction of the debt brake at federal level, and fiscal rules at cantonal and municipal level. This trend continued until 2011, after which it slowed considerably. Between 2012 and 2019, gross debt stabilized at 215 billion. To finance the coronavirus-related additional expenditure, the government units subsequently increased gross debt significantly. According to current estimates, the general government's gross debt is likely to reach 245.6 billion at the end of 2024, after which a steady debt reduction is likely to set in, starting in 2026.

Net debt follows a similar curve to gross debt, but at a lower level. The increase in net debt in 2020 and 2021 was attributable to the financing of expenditure in connection with the COVID-19 pandemic. This additional expenditure for the Confederation and the cantons was financed with a combination of funds from non-administrative assets and financial liabilities (money market debt register claims and bonds).

4 Switzerland's public finances in an international comparison (GFS)

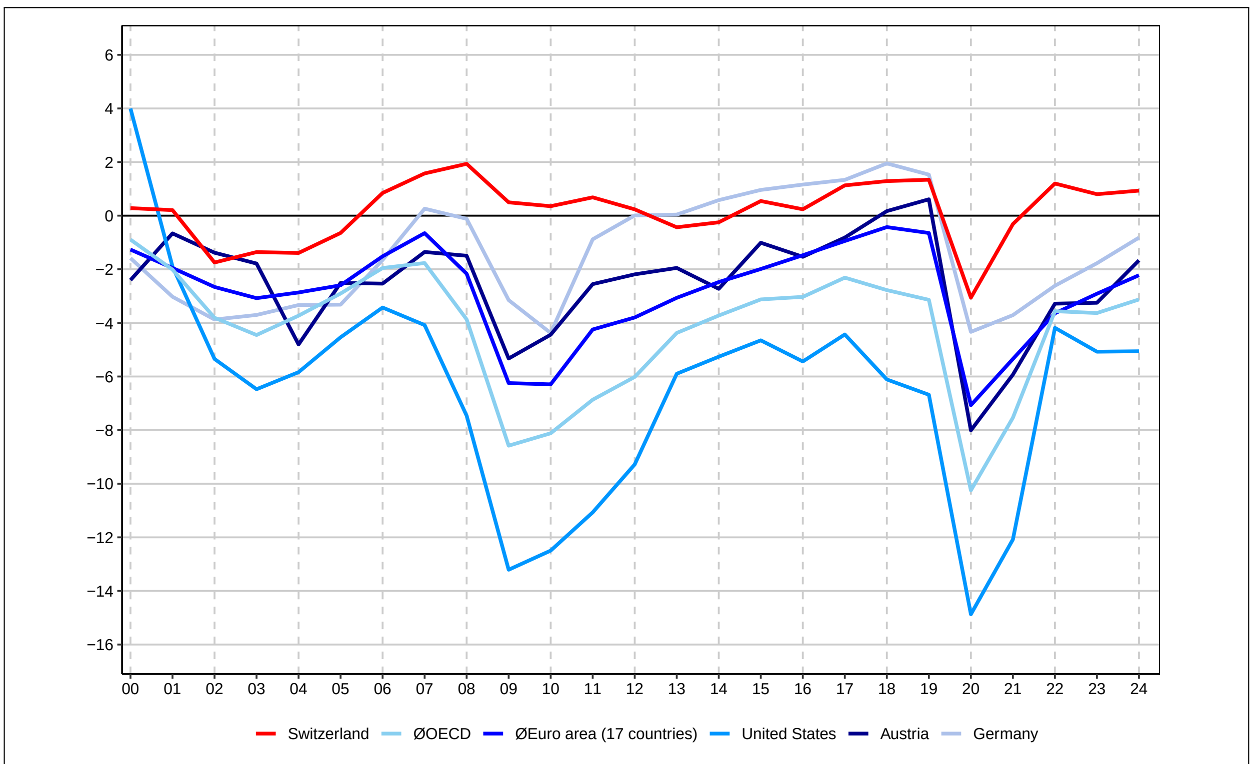
The finances of the government units are also published in accordance with the guidelines of the International Monetary Fund (IMF) to facilitate international comparisons.

4.1 Net lending/borrowing, receipts and expenditure

In this subsection, Switzerland's net lending/net borrowing and the receipts and expenditure of the government units are compared with selected individual countries and country averages. In addition, Switzerland's expenditure is compared internationally according to the Classification of the Functions of Government (COFOG).

Net lending/borrowing - The government units' net lending/net borrowing shows the difference between total receipts and total expenditure according to the IMF guidelines. In relation to nominal GDP, it corresponds to the deficit/surplus ratio of the general government sector. Normalization with GDP enables comparability between countries. The following chart shows the deficit/surplus ratios of Switzerland, the neighboring countries Germany and Austria, the United States, the OECD and the euro area. Switzerland's ratio is mostly higher than the other countries' ratios, with only Germany's slightly exceeding it between 2013 and 2019.

Figure 8: Development of deficit/surplus ratios (in % of nominal GDP)

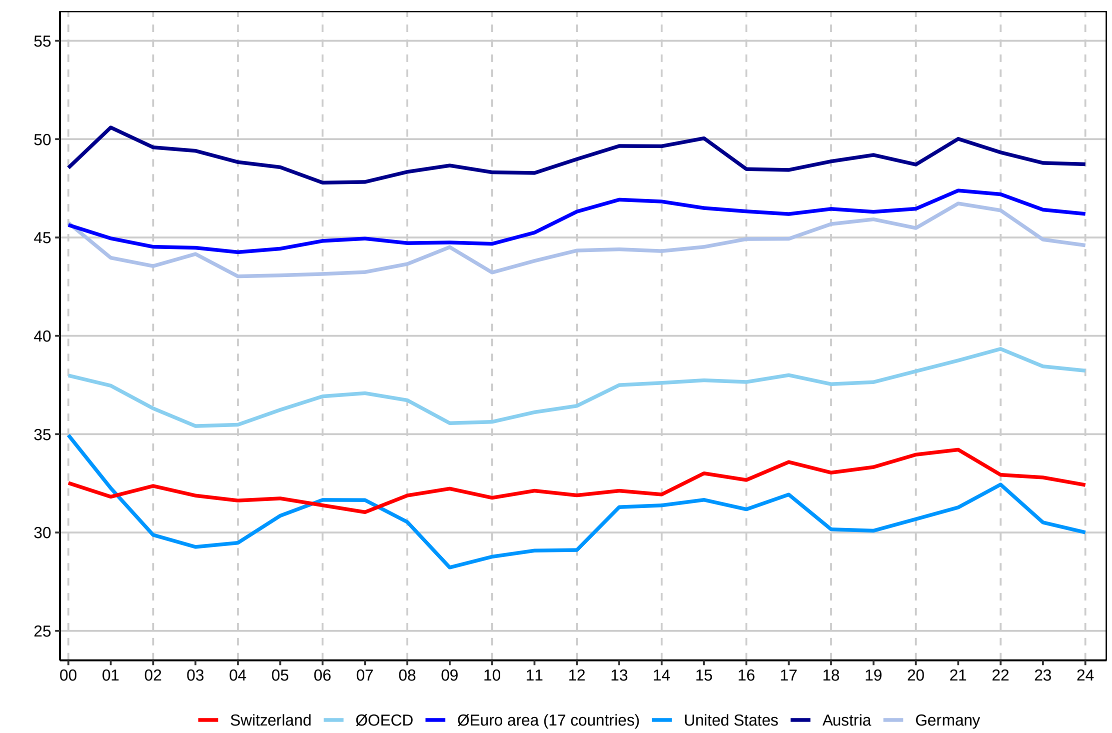


Source: IMF GFS database, updated and supplemented with OECD Economic Outlook 113 (June 2023)

The COVID-19 pandemic led to record deficits in the public finances of most countries in 2020. Switzerland's financing deficit was smaller than that in the OECD countries and the euro area. Switzerland's net lending/borrowing has been back in positive territory since 2022, with the levels of the United States, the OECD countries and the euro area also improving substantially compared with 2020.

Receipt ratio - The receipt ratio expresses the general government's receipts relative to economic output (GDP). Consequently, the trend of this ratio is determined by how much receipts and GDP move, and in which direction. Since 2000, the receipt ratios of the countries shown here have generally been stable, with a slight upward trend. The general government's receipts depend primarily on receipts and social security contributions from the private sector. Since private sector receipts generally follow the country's economic performance, general government receipts relative to GDP, and thus the receipt ratio, vary little. Only in the United States can a more volatile pattern be observed during the period shown.

Figure 9: Development of receipt ratios (in % of nominal GDP)



Source: IMF GFS database, updated and supplemented with OECD Economic Outlook 113 (June 2023)

In 2021, the receipt ratio of euro area countries (+0.9 percentage points) and OECD countries (+0.5 percentage points) rose slightly. The growth was largely attributable to the economic recovery following the easing of the COVID-19 measures. Receipt growth even outstripped economic growth. In the United States, the receipt ratio thus went from 30.7% to 31.3% of GDP. Germany (+1.2 percentage points) and Austria (1.3 percentage points) likewise saw an increase. In Switzerland, the ratio rose by 0.2 percentage points.

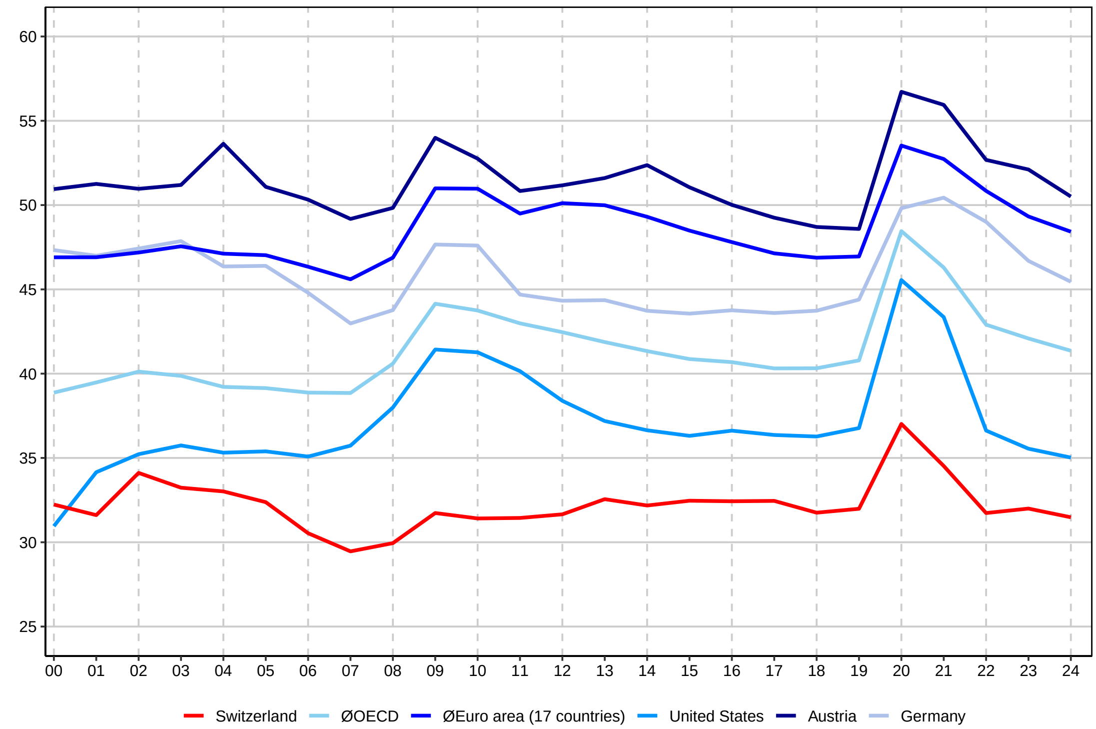
The receipt ratio trends varied in 2022. On average, the receipt ratios of countries in the euro area decreased by 0.2 percentage points, whereas the OECD saw an average increase of 0.6 percentage points. In the case of Germany and Austria, the receipt ratio declined by 0.3 and 0.7 percentage points, respectively. The receipt ratio fell in Switzerland too, dropping by 1.3 percentage points to 32.9%. The decline in Switzerland's receipt ratio was driven primarily by the 5.1% surge in GDP during this period. A similar trend was observed in Germany and Austria, where GDP jumped by 7.2% and 10.1%, respectively.

According to OECD Economic Outlook estimates, the receipt ratio is expected to decline in most countries in 2023. This also applies to Switzerland, where the receipt ratio is likely to be 32.8%, representing a drop of 0.1 percentage points compared with 2022. A decrease of 0.8 percentage points is anticipated for the euro area. A sharper decline in the receipt ratio is expected in Germany (-1.5 percentage points compared with 2021) and the United States (-1.9 percentage points). These countries and regions are expected to see a decline in the receipt ratio in 2024 as well, although at a somewhat slower pace. Switzerland's ratio is set to fall by 0.4 percentage points to 32.4% in 2024. The US receipt ratio will drop more sharply, falling by 0.5 percentage points to 30.0%. The decline in the receipt ratio in most countries is generally likely to be explained by the robust nominal economic growth in 2023 and 2024, which is partly inflation-driven.

However, the economic consequences of the Ukraine crisis and tighter monetary policy as a result of higher inflation are still unclear at the moment. Accordingly, the receipt ratio forecast is also affected by economic uncertainty.

General government expenditure ratio - The general government expenditure ratio expresses the general government's expenditure relative to economic output (GDP). The striking feature of Figure 10 is the jump in general government expenditure ratios and their subsequent fall from 2020 onward. The measures to deal with the economic crisis resulting from the COVID-19 pandemic triggered a surge in expenditure in 2020. The plunge in economic output additionally exacerbated the rise in countries' general government expenditure ratios. The normalization of economic conditions after the pandemic caused the general government expenditure ratio to fall significantly and move back toward the pre-crisis level in most countries.

Figure 10: Development of general government expenditure ratios (in % of nominal GDP)



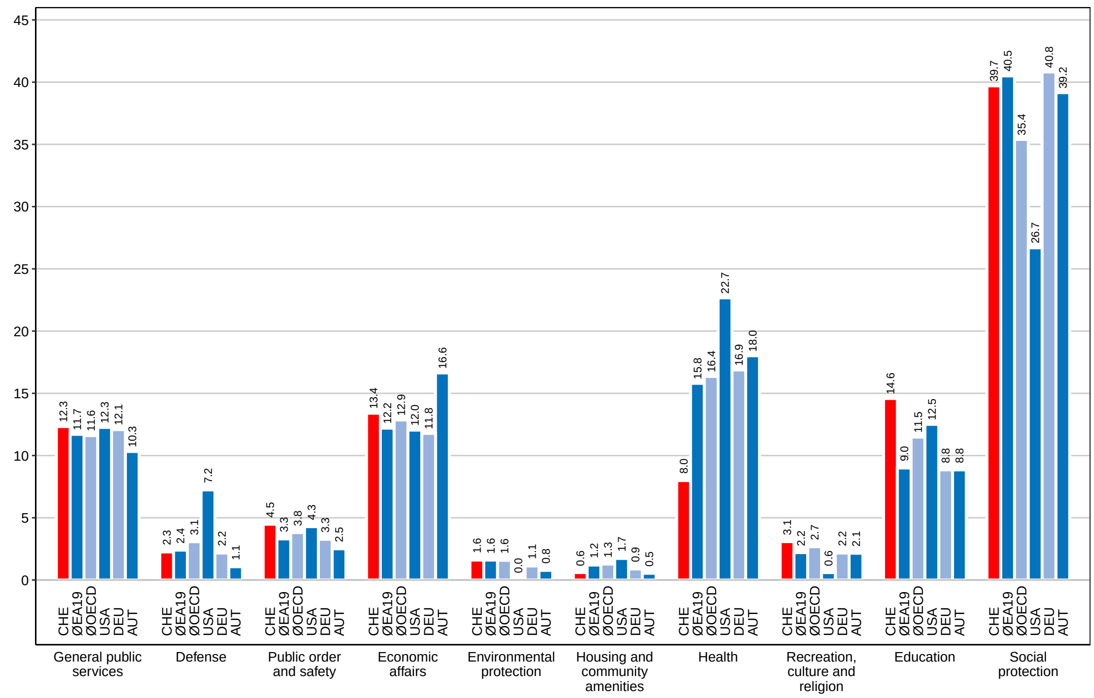
Source: IMF GFS database, updated and supplemented with OECD Economic Outlook 113 (June 2023)

In 2020 and 2021, total general government expenditure in the euro area (19 countries) amounted to 53.5% and 52.7% of GDP, respectively, i.e. an increase of 6.6 and 5.8 percentage points, respectively, on 2019, due to the impact of the COVID-19 pandemic. Switzerland's general government expenditure ratio rose by 5.0 and 2.5 percentage points when comparing 2020 and 2021 with 2019. After peaking at 37.0%, it stood at 34.5% of GDP at the end of 2021 and declined further to 31.7% in 2022 as a result of the economic recovery, thereby returning to its pre-crisis level.

According to the current forecasts of the Financial Statistics Section, Switzerland's general government expenditure ratio is expected to be 32.0% of GDP in 2023 and to decline by another 0.5 percentage points to 31.5% in 2024. When compared with the other general government expenditure ratios shown, Switzerland's ratio thus remains low.

International comparison of expenditure according to COFOG - Figure11 shows on which task areas the most money was spent in 2021 in relation to total general government expenditure.

Figure 11: General government expenditure by function (COFOG) in 2021 (in % of total expenditure)



Source: IMF GFS and OECD databases (countries) as well as Eurostat COFOG databases (EU and EA19)

As in Switzerland, social protection accounts for the largest proportion of general government expenditure, including at the international level. The figure shows that more than half of total expenditure went to the two task areas of social protection and health in 2021. The national averages for the euro area were 40.5% of total expenditure for social protection and 15.8% for health. The other task areas that accounted for a large proportion of total general government expenditure in the euro area were general public services (11.7%), economic affairs (12.2%) and education (9.0%). Compared with Europe, the United States spent less on social protection (26.7%), but far more on health (22.7%) and defense (7.2%). Following the COVID-19 pandemic, funding for social protection and economic affairs remained higher in the United States than in the pre-pandemic period. The shares of total expenditure are up by 6.9 percentage points compared with 2019 and 3.2 percentage points compared with 2021.

In Switzerland, 39.7% of total expenditure went to social protection in 2021, which was slightly less than the euro area average. Measured in terms of economic output, the proportion of general government expenditure allocated to social protection varied between 8.7% (Ireland) and 24.8% (France) of GDP. Nine euro area countries, including Italy (23.5%), Austria (22.1%) and Germany (20.9%), spent at least 20% of GDP on social protection. In Switzerland, the social protection share fell from 16.1% of GDP in 2020 to 13.7% of GDP in 2021. Taking the 10-year period from 2011 to 2021, social protection expenditure as a percentage of GDP was slightly above the average of 13.0% in 2021.

A striking difference can be seen between Switzerland and the other countries in the comparison of health expenditure. In 2021, health was the government units' second-largest expenditure item in the euro area, whereas it ranked fifth in Switzerland. This can be explained by the fact that the healthcare system in many European countries is financed by public finances rather than by private budgets like in Switzerland. As a percentage of total expenditure, health expenditure averaged 15.8% in the euro area in 2021, up from 11.3% in 1995. It accounted for 16.9% in Germany in 2021, and 8.0% in Switzerland. In relation to economic output, the United States spent far more on health than any other OECD country. In 2021, health expenditure exceeded 10% of GDP for the second time since 2020. Relative to 1995, its share grew by 3.7 percentage points in the United States and by 1.2 percentage points in Switzerland, while the average increase in OECD countries was 2.1 percentage points over the same period.

Switzerland's proportion of total expenditure in the area of economic affairs was higher in 2021 than the average in euro area countries. The highest share was in Malta (20.6%), and the lowest in Denmark (8.0%). Within the area of economic affairs, transportation and general economic, commercial and labor affairs accounted for the largest share of expenditure in Switzerland, followed by agriculture, forestry, fishing and hunting. In the euro area, general economic, commercial and labor affairs accounted for the largest share of expenditure, followed by transportation and research and development economic affairs.

In 2021, Switzerland spent 14.6% of its total expenditure on education. This was well above average when compared with OECD and euro area countries. New Zealand and Estonia, for example, had a similar share to Switzerland in 2021 (14.3% each). In relation to economic output, however, these countries' 2021 education expenditure (5.5% and 5.9% of GDP) was higher than in Switzerland (5.0% of GDP).

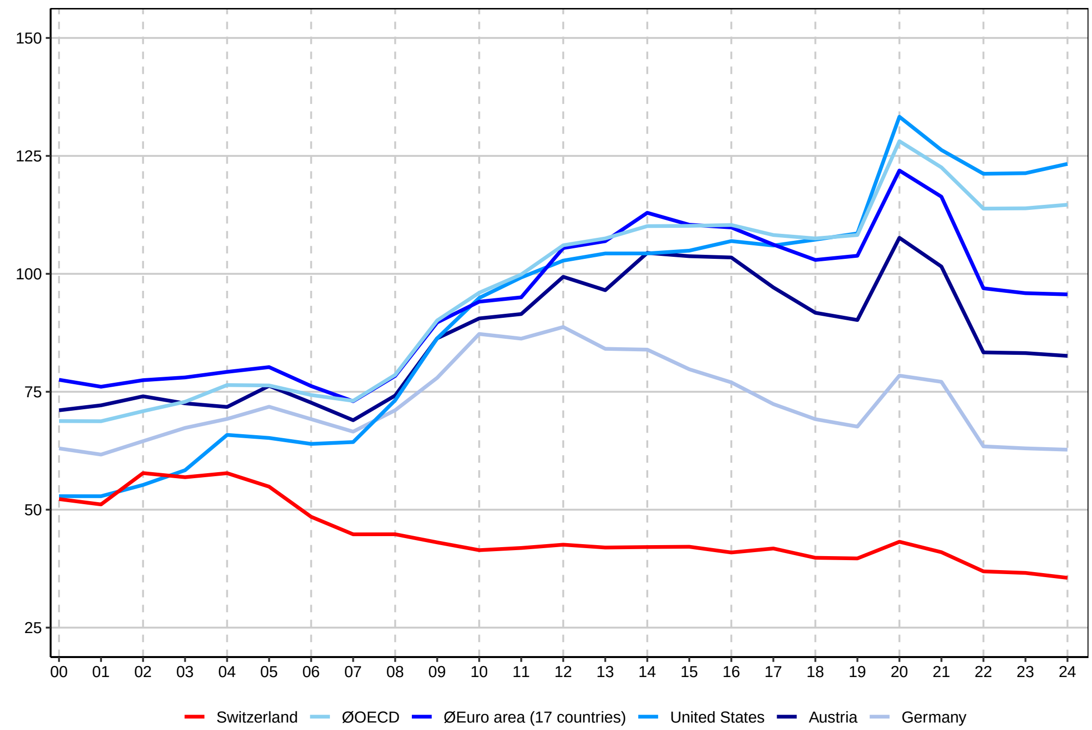
Switzerland spent more on general public services than neighbors Germany and Austria in 2021. By contrast, the proportion of total expenditure in the United States was similar to that in Switzerland. Meanwhile, the euro area and OECD countries averaged 11.7% and 11.6%, respectively, with Australia (7.8%), Lithuania (8.1%) and Japan (8.3%) reporting low values in 2021.

4.2 Debt

This subsection compares Switzerland's debt situation with individual selected countries. For the gross debt ratio, officially published country averages are also available for the OECD and the euro area.

Gross debt ratio - The gross debt ratio measures the general government sector's gross debt in relation to economic output in accordance with the IMF guidelines. Figure 12 shows the development of gross debt ratios. It is evident that Switzerland has a low ratio by international standards and has had a stable ratio since 2010.

Figure 12: Development of gross debt ratios (in % of nominal GDP)



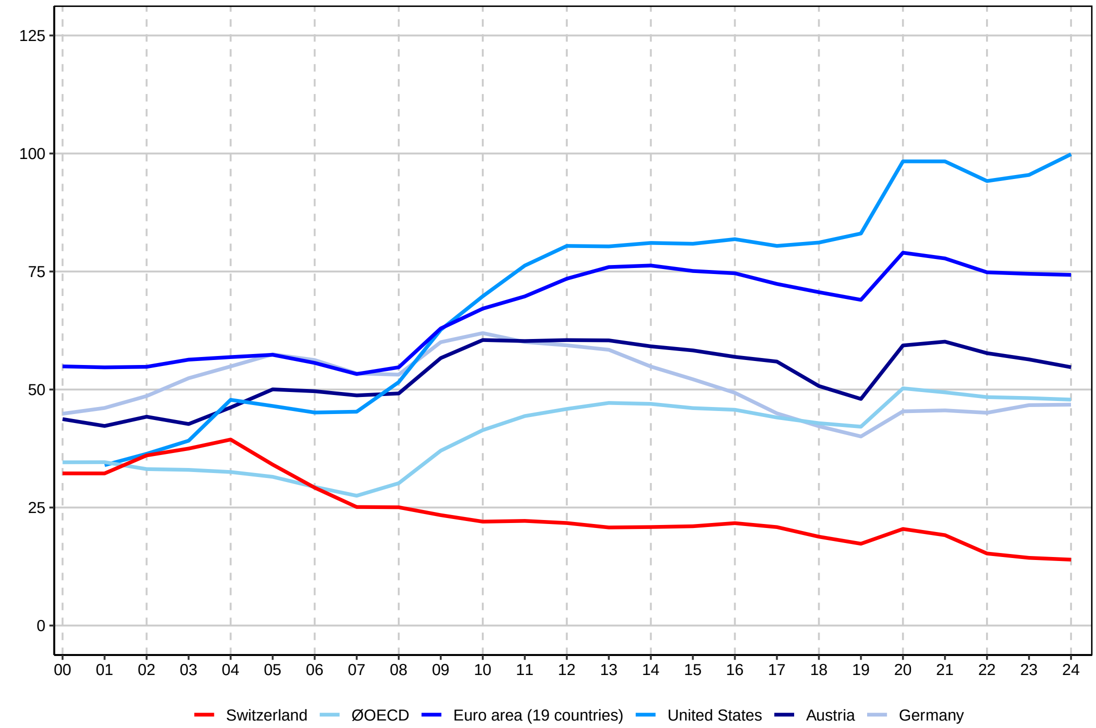
Source: IMF GFS database, updated and supplemented with OECD Economic Outlook 113 (June 2023)

In 2021, the gross debt ratio fell in many countries, following a massive increase in 2020 as a result of the stabilization measures to cushion the economic impact of the COVID-19 pandemic. In the euro area and OECD countries, the gross debt ratio dropped by 5.6 percentage points, while in the United States it decreased by as much as 7.1 percentage points. By comparison, Canada (-20.8 percentage points) and Cyprus (-16.2 percentage points) recorded the sharpest declines. Switzerland's gross debt ratio was down by 2.2 percentage points.

According to current estimates, the liabilities of Switzerland's government units (especially the Confederation) are likely to rise again in nominal terms after dipping in 2022, and reach 293 billion in 2023/2024. This means that liabilities are likely to remain below their 2021 peak of 305 billion. However, the gross debt ratio is expected to decline continuously from 2022 onward as a result of the anticipated increase in economic output. A similar trend is expected in most euro area and OECD countries.

Net debt ratio - The net debt ratio expresses net debt as defined by the IMF in relation to GDP and is shown in Figure 13. Net debt as defined by the IMF (GFS) is comprised of gross debt less non-administrative assets. As no forecast is made for the net debt ratio as part of the OECD Economic Outlook, the data from the IMF's World Economic Outlook (publication date: April 7, 2023) is used.

Figure 13: Development of net debt ratios (in % of nominal GDP)



Source: IMF World Economic Outlook (April 7, 2022)

Negative net debt means that such countries have no net debt, and instead have assets. This is the case in Norway, for example. In contrast, the net debt ratios of Japan (from 2008), Italy (from 2009) and Portugal (from 2011) are over 100% of GDP.[2] Switzerland's net debt ratio fell from its peak of 39.4% of GDP at the end of 2004 to 17.3% of GDP at the end of 2019. The net debt ratio also declined in the years following the financial crisis, while it rose sharply in the other countries shown, as did the country averages, and it remained fairly constant in subsequent years; only in Germany did it decline from 2013 until the COVID-19 crisis.

Due to the high funding requirements for the stabilization measures to combat the COVID-19 crisis, net debt was significantly higher in most countries in 2020. Net debt decreased slightly in 2021, and has been trending downward again since then.

Measured in terms of economic output, the net debt ratio was 19.1% of GDP in 2021. In Germany and Austria, it was 45.6% and 60.1%, respectively. The net debt ratio remained at 98.3% in the United States, whereas it was 77.8% in the euro area and averaged 49.4% in the OECD member states.

The net debt ratio for most countries was lower in 2022 than in 2021. This was attributable primarily to a reduction in stabilization measures due to the COVID-19 crisis and to the economic recovery. Switzerland's ratio was 15.3% in 2022, whereas it was 74.8% in the euro area and 48.4% on average in the OECD.

[2] Visible in the data table on which the chart is based

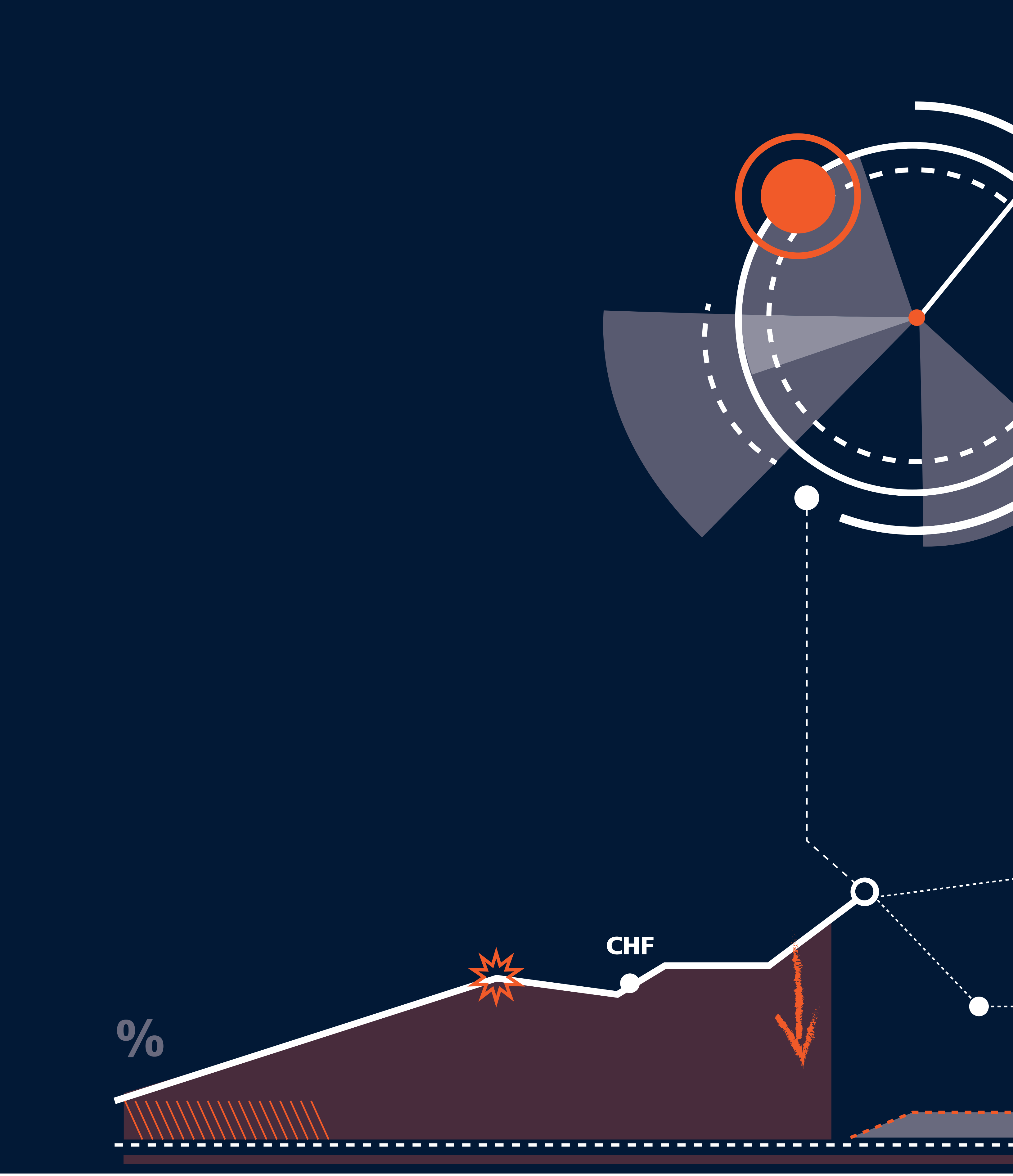
The net debt ratios are likely to move in different directions in 2023 and 2024. In Switzerland, it is likely to be 14.3% in 2023 and is set to fall to 14.0% in 2024. Measured as a percentage of GDP, the net debt ratio will decline steadily, due largely to nominal economic growth. By contrast, Germany's ratio is likely to rise to 46.7% in 2023 and reach 46.8% at the end of 2024. On average, the ratio for the euro area countries is expected to fall to 74.3% at the end of 2024, and, at 47.9%, the ratio for the OECD countries is also set to be slightly lower at the end of 2024 than in 2022.

5 Appendix

The appendices to this publication are published on the website of the Federal Finance Administration. The corresponding links are listed below:

Overview of financial statistics methods and models

Scope of financial statistics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