Press release

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Swiss public finances from 2013 to 2016: Cantons and municipalities in the red

The general government ended 2013 with a slight deficit. Both the cantons and municipalities were in negative territory, while the Confederation broke even and the social security funds remained positive. Because of the Swiss economy's slowdown, the general government's accounts will probably remain negative until 2015 and those of the cantons and municipalities until 2016. The general government expenditure ratio and the tax-to-GDP ratio are set to rise in 2015 for the same reason. This is what is depicted in the latest financial statistics figures.

The general government deficit/surplus ratio was negative in 2013, coming in at -0.2% of nominal gross domestic product (GDP). In the case of the Confederation, the rise in expenditure outstripped revenue growth, which caused the deficit/surplus ratio to post a year-on-year decline. It nevertheless broke even at 0% of GDP. The ratio was -0.3% of GDP for the cantons, staying negative mainly as a result of the recapitalization of several public-sector pension funds. Based on the municipalities' definitive financial statements, the ratio was -0.2% of GDP. That deficit was primarily due to municipalities in the canton of Zurich, whose expenditure increased in the "Obligatory schooling" and "Fuel and energy" functional groups. The social security funds' ratio fell but remained positive at 0.3% of GDP.

2014 and 2015 results affected by SNB profits

The general government deficit/surplus ratio is likely to improve somewhat in 2014, but it will probably stay in negative territory. The deficit/surplus ratio of the social security funds was positive and that of the Confederation broke even. The decline in the Confederation's revenue was offset by a reduction in its expenditure. Moreover, the Swiss National Bank (SNB) did not distribute any profits to the Confederation and cantons in 2014. The cantons' results are continuing to be hampered by the restructuring of public pension funds. The municipalities' ratio should improve somewhat, but it will probably stay negative.

The Swiss economy's slowdown is likely to lead to a negative general government deficit/surplus ratio in 2015. The forecasts have factored in the supplementary distribution which will bring the SNB's overall distribution to the Confederation and the cantons to CHF 2 billion[1]. The ratios of the Confederation and social security funds should be slightly positive and those of the cantons and municipalities negative. The recapitalization of several public-sector pension funds is planned, and this is likely to have a further adverse effect on the cantons' results in 2015 and 2016.

Overview of public finances 2012-2016 in % of GDP

		2012	2013	2014	2015	2016
Deficit/surplus ratio	**General government**	**0.0**	**-0.2**	**-0.1**	**-0.1**	**0.1**
	Confederation[1]	0.1	0.0	0.0	0.1	0.1
	Cantons	-0.4	-0.3	-0.3	-0.3	-0.1
	Municipalities	-0.1	-0.2	-0.1	-0.1	-0.1
	Social security funds	0.5	0.3	0.3	0.2	0.2
Tax-to-GDP ratio	**General government**	**26.9**	**27.0**	**27.1**	**27.6**	**27.7**
	Confederation[1]	9.5	9.6	9.5	9.8	9.8
	Cantons	6.6	6.6	6.7	6.8	6.9
	Municipalities	4.1	4.1	4.1	4.2	4.2
	Social security funds	6.7	6.7	6.7	6.8	6.8
Expenditure ratio	**General government**	**32.6**	**32.9**	**33.0**	**34.1**	**34.0**
	Confederation[1]	10.4	10.6	10.4	10.8	10.7
	Cantons	13.6	13.5	13.7	14.2	14.1
	Municipalities	7.1	7.2	7.1	7.2	7.3
	Social security funds	9.0	9.2	9.2	9.5	9.5
Debt ratio (with reference to the Maastricht definition)	**General government**	**34.2**	**34.6**	**34.5**	**34.6**	**34.5**
	Confederation[1]	17.8	17.4	16.8	16.4	16.1
	Cantons	8.8	9.7	10.1	10.5	10.7
	Municipalities	7.6	7.7	7.8	7.9	7.9
	Social security funds	1.0	0.7	0.7	0.5	0.5

[1] Including separate accounts and decentralized entities
Grayed: forecasts

Tax-to-GDP ratio and expenditure ratio expected to rise in 2015

In 2013, the general government's tax-to-GDP ratio was 27% of GDP. The Confederation's tax revenue was up primarily as a result of a rise in withholding tax revenue in 2013, causing the ratio to climb to 9.6% of GDP. The cantons' tax revenue growth was in line with GDP growth, causing the tax-to-GDP ratio to stay at 6.6% of GDP. This ratio also remained unchanged for the social security funds and municipalities. In 2014, it should edge up to 27.1% of GDP because of nominal GDP growth being slightly weaker than tax revenue growth. It is set to rise more significantly thereafter given that nominal GDP growth is expected to be around zero in 2015 and it will probably remain around the same level in 2016.

The general government expenditure ratio was 32.9% of GDP in 2013, representing a mild year-on-year increase. In the case of the Confederation, the rise can be explained primarily by higher expenditure in the "Defense" and "Basic research" functional groups. Furthermore, the Confederation increased its net investments relative to the previous year. The cantons' expenditure growth was slower than that of GDP, causing the expenditure ratio to fall slightly. The municipalities' ratio edged up to 7.2% of GDP, driven by an increase in expenditure largely in the "Education" and "Health" functional groups. The general government expenditure ratio is set to rise slightly to 33.0% of GDP in 2014 because of the cantons' expenditure growth outstripping GDP growth. The ratio is set to gain more than one percentage point in 2015

[1] Federal Finance Administration (2015). FDF and SNB agree on supplementary distribution to Confederation and cantons. Press release of January 30, 2015. Bern

because of the economic slowdown combined with the restructuring of public pension funds envisaged in certain cantons. The general government expenditure ratio should then decline somewhat in 2016.

Upward trend for cantons' debt ratio

Since 2003, the gross debt ratio of the individual sub-sectors and accordingly also of the general government has been reduced thanks to sometimes high surpluses. This downward trend was interrupted in 2012. The general government's debt ratio rose to 34.2% of GDP that year, and then to 34.6% of GDP in 2013. The cantons' debt ratio rose by 0.9 percentage points in 2013, largely as a result of the trend in the cantons of Geneva, Basel Stadt, Zurich and Ticino. It should be relatively stable from 2014 onward in the general government sector, but trend differently depending on the sub-sector in question. The Confederation is set to reduce its debt ratio through to 2016. The currently available data is pointing to an increase in several cantons' debt levels due to the changeover to the HAM2 harmonized accounting model in certain public administrations, as well as the deterioration of their financial situation in recent years. The debt ratio of the social security funds should remain at 0.5% of GDP in 2015 and 2016, largely due to the unemployment insurance debt vis-à-vis the Confederation. Based on current data, a debt ratio of 34.5% of GDP is expected for the general government in 2016.

The Financial Statistics Section of the Federal Finance Administration (FFA) is hereby publishing for the first time the definitive 2013 results regarding the financial position of the government units (Confederation, cantons, municipalities and social security funds), as well as provisional results and forecasts for 2014 to 2016.

This is the first time that the indicators published are stated in accordance with the International Monetary Fund's new financial statistics guidelines of 2014.

Further details:

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The following can be found as an enclosure to this press release at www.finance.admin.ch:

- Brief report on financial statistics
- Detailed financial statistics data
- Overview of publications on budget figures at federal level