Brief report on financial statistics

Date: 06.03.2017

Public finance trends: initial results for 2015 and 2016-2017 forecasts

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This overview presents the results for the consolidated accounts of the general government sector (Confederation, cantons, municipalities and social security funds). It contains provisional 2015 financial statistics data for the Confederation, cantons and social security funds, and estimates for the municipalities. Moreover, forecasts are given for all general government sub-sectors for 2016 and 2017.

Based on the consolidated accounts, which are prepared in accordance with the Harmonized Accounting Model for the Cantons and Municipalities (HAM2), the Federal Finance Administration (FFA) also calculates financial statistics indicators according to the guidelines of the International Monetary Fund (IMF). These are calculated according to the Government Finance Statistics Manual (GFSM 2014).

A brief report on the latest financial statistics results can be found below. Information on the methodology is provided in the appendix. A technical note on new items and changes, as well as comprehensive time series and detailed data pertaining to the individual sub-sectors of the general government can be found online[1]. The more detailed annual report, "Switzerland's financial statistics for 2014", was published at the end of October 2016.

1 https://www.efv.admin.ch/efv/en/home/themen/finanzstatistik/uebersicht.html

1. Consolidated accounts of the government units

For the national financial statistics, the closing accounts of the various government units are restated in a uniform structure based on the Harmonized Accounting Model for the Cantons and Municipalities (HAM2). This approach allows a direct comparison of the government units within Switzerland. Table 1 shows how the financing statements for 2011 to 2017 pan out. The ordinary fiscal balance refers to the balance of ordinary receipts and expenditure; the overall fiscal balance also includes extraordinary transactions and therefore corresponds to the overall result of the financing statement. It is thus preferable to describe economic aspects using the ordinary fiscal balance. The breakdown between ordinary and extraordinary effects is essentially the same as that used in the financial statements of the Confederation, cantons and municipalities in accordance with their legal framework. Contributions for the funding of pension funds are an exception; these are all recorded as extraordinary items for comparability reasons, especially for comparing personnel expenditure.

The general government's **ordinary fiscal balance** should improve significantly in 2015 and post a surplus of almost CHF 4.4 billion. This result was driven by the CHF 2.2 billion surplus of the Confederation (including separate accounts and decentralized entities), that of almost CHF 1.7 billion of the social security funds, and that of CHF 0.8 billion of the cantons. In the case of the Confederation, direct federal tax and withholding tax receipts improved significantly on the previous year, while VAT receipts fell slightly[2]. Regarding the increase in direct federal tax and withholding tax receipts, the negative interest rates possibly had an impact. They make the advance payment of tax attractive, and refund claims can be postponed by three years in the case of withholding tax. Refunds, for example, barely moved in 2015. Moreover, the profit distribution from the Swiss National Bank (SNB) to the Confederation was two times higher in 2015[3]. The consolidation of decentralized entities also made for higher receipts (Appendix 3.1.4). Specifically, the electricity consumption tax levied by the Foundation for Feed-in Remuneration at Cost (CRF), which is recognized under the Confederation's tax receipts, went from 0.6 to 1.1 centimes per kWh[4]. Despite a decline in interest paid, ordinary federal expenditure rose by almost CHF 1.8 billion in 2015. The decentralized entities contributed to that increase, due particularly to higher investments in the fund for major railway projects. After three consecutive years in the red, the cantons' ordinary balance was positive again and improved relative to the previous year. Tax receipts were up slightly, particularly taxes on the income of natural persons. Moreover, the cantons benefited from the Confederation's good results via their share in federal tax receipts, and the supplementary distribution from the SNB brought the amount distributed to the cantons to CHF 1.3 billion. The municipalities' ordinary fiscal balance is likely to improve somewhat in 2015, but it will probably remain negative. Receipts are set to increase and expenditure should rise too, but to a lesser extent. The social security funds' ordinary fiscal balance posted a year-on-year decline in 2015. The ordinary fiscal balance of old-age and survivors' insurance (AHV), disability insurance (IV) and unemployment insurance (ALV) remained positive, but it was down slightly.

Current forecasts are pointing toward a largely positive ordinary fiscal balance for the general government in 2016 and 2017, when it should be around CHF 2.2 billion. The Confederation, cantons and social security funds should contribute to that result.

According to the Confederation's financial statements, ordinary receipts were down on the previous year, due mainly to withholding tax and stamp duty. While direct federal tax receipts were up, VAT receipts were stable. The Confederation's ordinary expenditure was higher than the previous year, particularly in the area of railway infrastructure (RIF) and asylum. The Confederation's ordinary fiscal balance should be around CHF 0.8 billion in 2016. The

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[2] Federal Finance Administration (2016). Surplus posted in 2015 financial statements – outlook still tense. Press release of 17.02.2016, Bern

[3] Federal Finance Administration (2015). FDF and SNB agree on supplementary distribution to Confederation and cantons. Press release of 30.01.2015, Bern

[4] Swiss Federal Office of Energy (2014). Supplement for renewable electricity and rehabilitation of waterways to be 1.1 centimes per kilowatt-hour from 2015.5. Press release of 25.06.2014, Bern

Confederation should end 2017 with a surplus of around CHF 0.7 billion in the ordinary fiscal balance. This takes account of the additional payment of CHF 0.5 billion by the SNB to the cantons (333 mn) and to the Confederation (167 mn) based on the 2016 results[5].

Table 1: 2011-2017 accounts, in CHF mn

		2011	2012	2013	2014	2015	2016	2017
General government	Receipts	200,466	200,770	205,933	206,592	214,504	215,307	218,732
	Expenditure	198,452	200,539	204,687	207,634	213,080	213,656	216,771
	Overall fiscal balance	**2,014**	**231**	**1,246**	**-1,042**	**1,424**	**1,651**	**1,961**
	Ordinary fiscal balance	5,796	1,938	1,302	602	4,351	2,175	2,197
Confederation[1]	Receipts	65,201	64,416	67,011	64,920	69,208	68,658	69,431
	Expenditure	64,497	62,731	64,540	64,726	66,503	67,346	68,749
	Overall fiscal balance	**704**	**1,685**	**2,470**	**194**	**2,706**	**1,312**	**682**
	Ordinary fiscal balance	1,563	947	1,164	-19	2,212	833	682
Cantons	Receipts	79,319	79,784	81,373	82,878	86,145	86,926	88,873
	Expenditure	81,073	83,219	83,282	85,252	88,626	87,349	88,652
	Overall fiscal balance	**-1,754**	**-3,435**	**-1,908**	**-2,374**	**-2,481**	**-423**	**222**
	Ordinary fiscal balance	1,126	-1,390	-772	-604	814	579	458
Municipalities	Receipts	44,059	44,169	44,500	45,389	46,465	47,164	47,929
	Expenditure	43,949	45,085	45,961	46,407	46,939	47,347	48,213
	Overall fiscal balance	**110**	**-916**	**-1,462**	**-1,019**	**-474**	**-184**	**-284**
	Ordinary fiscal balance	154	-515	-1,235	-931	-349	-184	-284
Social security funds	Receipts	58,619	59,563	60,814	61,958	62,279	62,990	63,986
	Expenditure	55,664	56,666	58,668	59,802	60,605	62,044	62,646
	Overall fiscal balance	**2,954**	**2,897**	**2,146**	**2,156**	**1,673**	**946**	**1,341**
	Ordinary fiscal balance	2,953	2,897	2,146	2,156	1,673	946	1,341

[1] Including separate accounts and decentralized entities

Grayed: forecasts

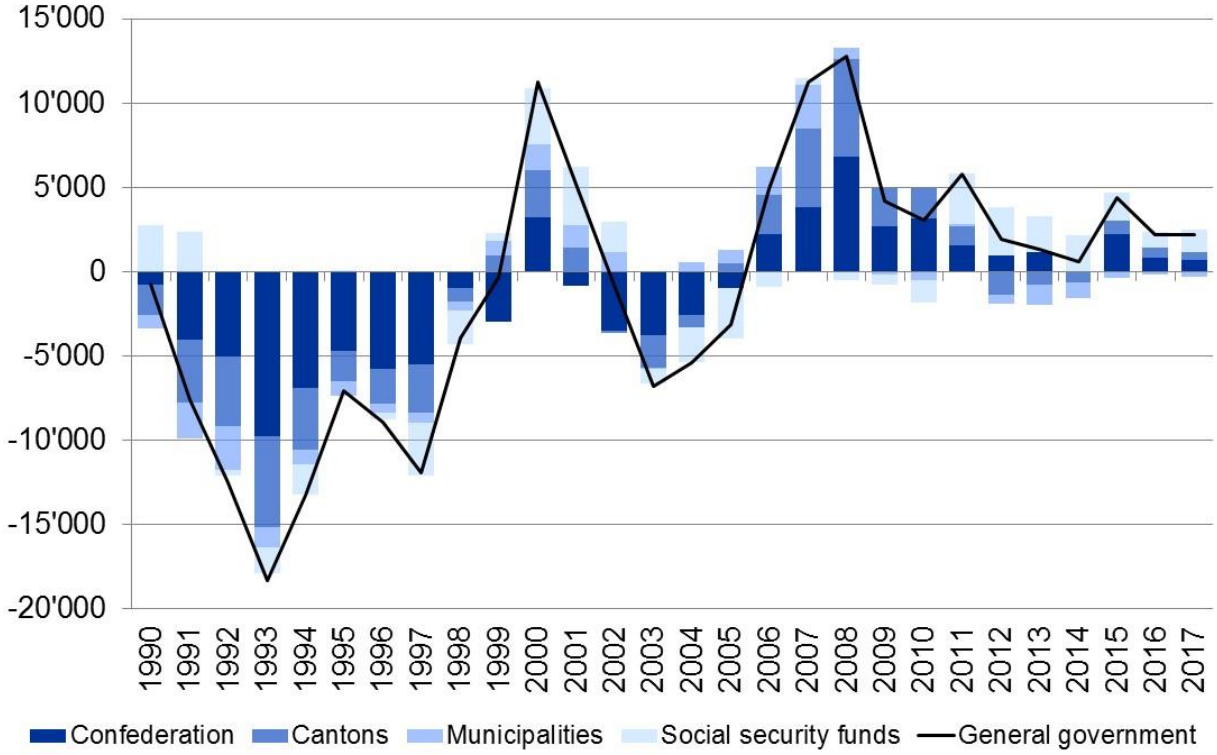
The currently available cantonal data is pointing to a slightly better ordinary fiscal balance for 2016. Ordinary expenditure and receipts are set to edge up. The ordinary fiscal balance should remain positive in 2017.

The municipalities' ordinary fiscal balance is likely to improve somewhat in 2016, but it will probably remain negative. It will probably stay negative also in 2017.

Despite higher receipts, the economic slowdown in the wake of the franc's appreciation and the accompanying rise in unemployment are likely to lead to a drop in the social security funds' surplus in 2016. The social security funds' ordinary fiscal balance is set to be CHF 0.9 billion in 2016. Their surplus should be above the billion mark again in 2017, due mainly to a probable improvement in the disability insurance and unemployment insurance balances.

[5] Swiss National Bank (2017). Swiss National Bank expects annual profit of over CHF 24 billion for 2016. Press release of 9.1.2017, Zurich

Figure 1: 1990-2017 ordinary fiscal balance, in CHF mn



In 2015, the **overall fiscal balance** of the general government should be positive once again. The difference between the ordinary fiscal balance and the overall fiscal balance is due to various extraordinary receipts or expenditure items. In the case of the Confederation, the positive difference between the two results can be explained by extraordinary receipts coming primarily from the new allocation of mobile radio frequencies (139 mn), a payment within the framework of the debt restructuring liquidation of Swissair (135 mn) and fines collected by the Competition Commission (COMCO). The cantons posted extraordinary receipts of CHF 84 million as well as extraordinary expenditure for the recapitalization of the pension funds of public-sector entities, primarily in the cantons of Bern (2 bn), Solothurn (1.1 bn) and Geneva (207 mn), which put a significant drag on their overall fiscal balance. The difference for the municipalities was also due to extraordinary expenditure for the recapitalization of several cities' pension funds.

The overall fiscal balance of the general government should be positive also in 2016 and amount to around CHF 1.7 billion. The Confederation received extraordinary receipts from the allocation of mobile radio frequencies (144 mn), additional payments within the framework of the Swissair liquidation settlement (165 mn) and COMCO fines (170 mn). In the case of the cantons, the reform of the Basel Stadt cantonal pension fund (approximately 1 bn) is set to push down their overall fiscal balance. There are no known extraordinary receipts or expenditure items to date for the municipalities and social security funds, and the two balances are set to remain at the same level.

The Confederation is not expecting any extraordinary expenditure or receipts in 2017, whereas the canton of St. Gallen is planning an additional payment for the restructuring of its pension fund. The overall fiscal balance of the general government should be almost CHF 2 billion in 2017.

2. Financial statistics indicators in accordance with international guidelines

The finances of the government units are additionally published in accordance with the guidelines of the International Monetary Fund (IMF) to facilitate international comparisons. The IMF's Government Finance Statistics Manual 2014 (GFSM 2014) forms the methodological foundation for the data and indicators published. As the reconciliation of the results with the system of national accounts based on the European System of Accounts (ESA 2010) has not yet been completed, these results are provisional.

The government unit indicators used in financial statistics comprise a set of five aggregates, each of which is expressed as a percentage of nominal gross domestic product, GDP (Table 2). Nominal GDP growth was a meager 0.3% in 2015. This should be taken into account when interpreting the financial statistics indicators' trend. The GDP trend for 2016 and 2017 is based on the economic forecasts of the federal government's group of experts, published on December 15, 2016[6].

Table 2: 2011-2017 indicators, in % of GDP

		2011	2012	2013	2014	2015	2016	2017
Deficit/surplus ratio	**General government**	**0.5**	**0.0**	**-0.2**	**-0.2**	**0.2**	**0.2**	**0.3**
	Confederation[1]	0.2	0.1	0.0	0.0	0.3	0.1	0.1
	Cantons	-0.2	-0.4	-0.2	-0.4	-0.3	0.0	0.0
	Municipalities	0.0	-0.1	-0.2	-0.1	-0.1	0.0	0.0
	Social security funds	0.5	0.5	0.3	0.3	0.3	0.1	0.2
Tax-to-GDP ratio	**General government**	**27.1**	**26.9**	**27.0**	**27.0**	**27.7**	**27.8**	**27.6**
	Confederation[1]	9.9	9.5	9.6	9.5	9.9	9.9	9.8
	Cantons	6.5	6.6	6.6	6.7	6.8	6.9	6.9
	Municipalities	4.1	4.1	4.1	4.1	4.2	4.2	4.2
	Social security funds	6.6	6.7	6.7	6.7	6.8	6.8	6.8
Expenditure ratio	**General government**	**32.6**	**32.6**	**32.9**	**32.9**	**33.6**	**33.6**	**33.5**
	Confederation[1]	10.7	10.4	10.6	10.4	10.7	10.8	10.8
	Cantons	13.4	13.7	13.5	13.6	14.0	13.9	13.8
	Municipalities	7.0	7.1	7.2	7.1	7.2	7.2	7.2
	Social security funds	8.9	9.0	9.2	9.2	9.3	9.5	9.4
Debt ratio (with reference to the Maastricht definition)	**General government**	**33.2**	**34.2**	**33.9**	**34.0**	**33.4**	**32.6**	**33.0**
	Confederation[1]	17.7	17.8	17.4	16.7	15.9	15.0	15.4
	Cantons	8.3	8.8	8.9	9.6	9.7	9.8	9.7
	Municipalities	7.5	7.6	7.7	7.8	8.0	8.0	8.0
	Social security funds	1.0	1.0	0.7	0.7	0.5	0.4	0.3
Gross debt ratio	**General government**	**44.8**	**45.6**	**44.9**	**45.0**	**45.4**	**44.1**	**44.6**
	Confederation[1]	23.1	23.3	22.3	22.6	22.7	21.4	22.0
	Cantons	11.7	12.1	12.4	12.4	12.5	12.5	12.3
	Municipalities	10.2	10.2	10.3	10.0	10.3	10.4	10.4
	Social security funds	1.0	1.0	0.8	0.7	0.5	0.4	0.4

[1] Including separate accounts and decentralized entities

Grayed: forecasts

The financial statistics indicators are stated in accordance with the current guidelines of the IMF. In the case of the GFS Model, the **ratios** are determined using standards that are different from those used for the fiscal balance interpreted in the first part of this report (Appendix 3.2). The debt ratio is an exception, however, as it is calculated with reference to the Maastricht criteria of the EU. This ensures that the indicators are internationally comparable. As with the preceding data, the indicators are based on the consolidated results of the Confederation, cantons, municipalities and social security funds.

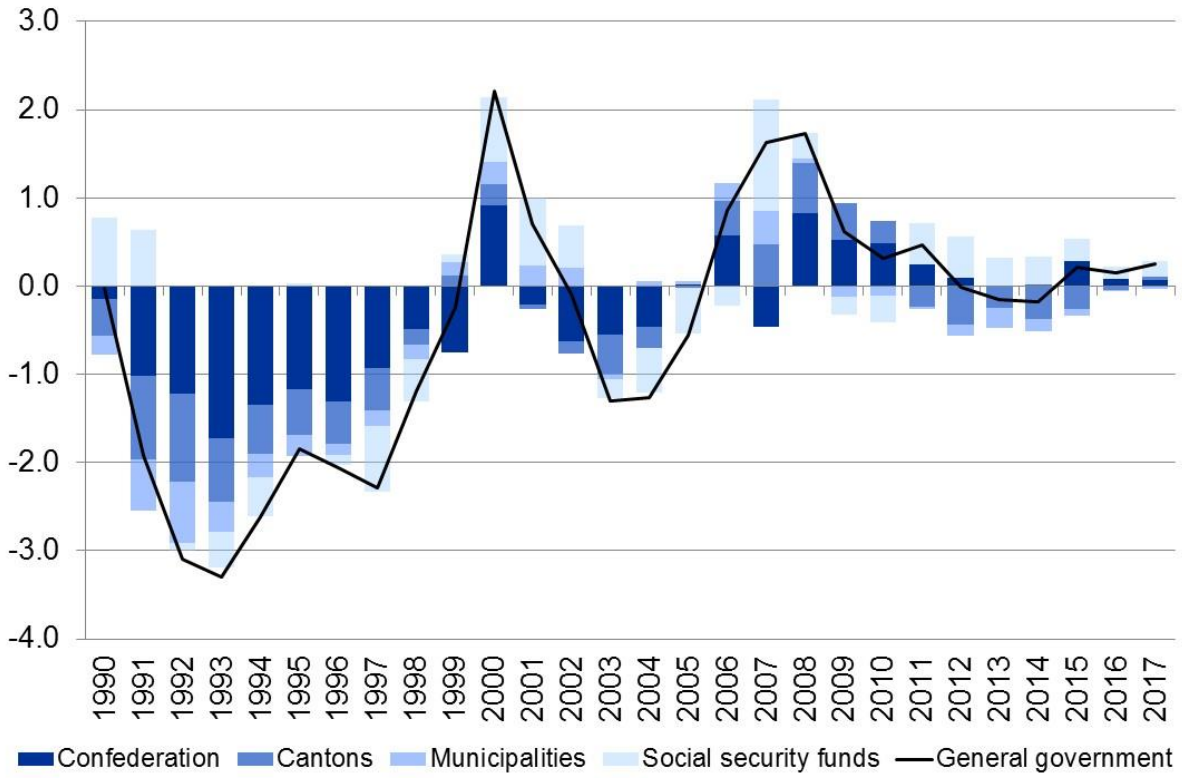
In 2015, and for the first time in two years, the general government **deficit/surplus ratio** is set to be positive again, amounting to 0.2% of GDP. The deficit/surplus ratio of the Confederation

[6] State Secretariat for Economic Affairs (2016). Economic recovery continues in Switzerland. Press release of 15.12.2016, Bern

and of the social security funds was positive at 0.3% of GDP. The Confederation posted strong revenue growth in 2015 (see section 1), while the ratio of the social security funds was stable relative to the previous year. The ratio remained negative for the cantons, coming in at -0.3% in 2015. The restructuring of pension funds continued to weigh heavily on the cantons' results. The municipalities' deficit/surplus ratio is likely to stay negative too, at -0.1%.

The deficit/surplus ratio will more or less follow the trend of the overall fiscal balance in 2016 and 2017. While the situation is set to deteriorate somewhat for the Confederation and the social security funds, it should improve for the cantons and the municipalities.

Figure 2: 1990-2017 deficit/surplus ratio, in % of GDP

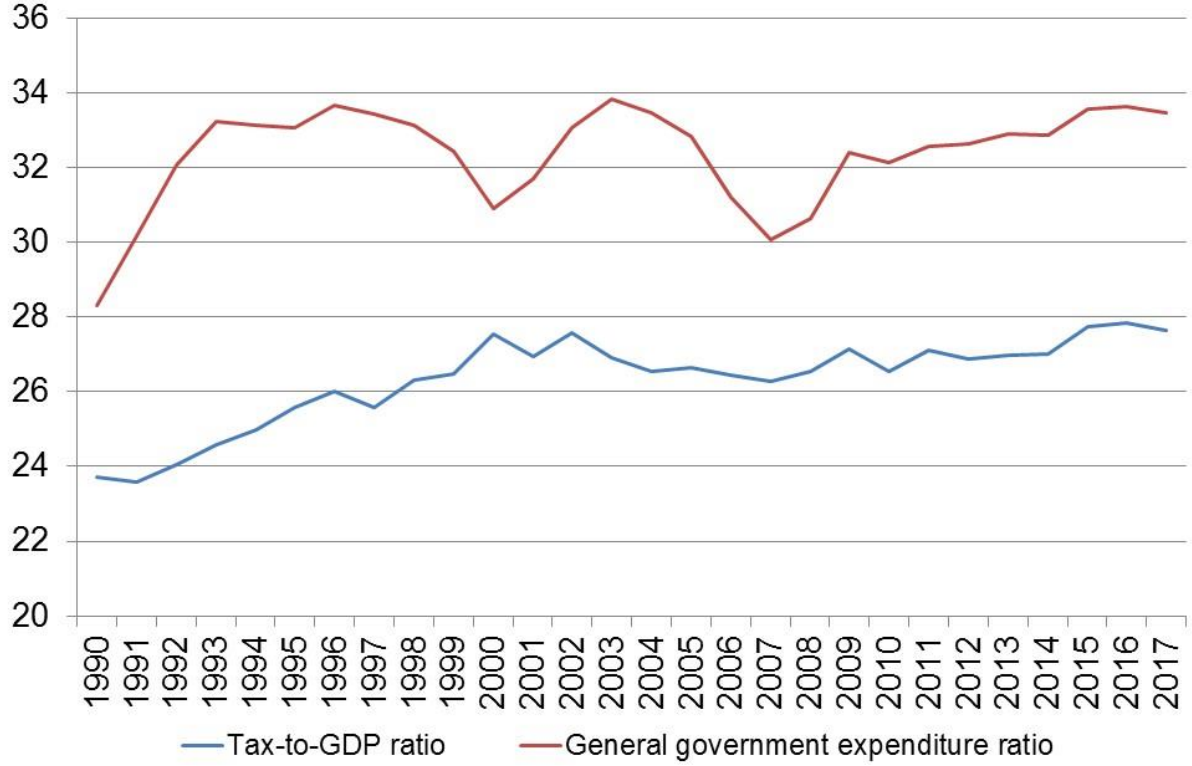


After rising in the 1990s, the general government sector's **tax-to-GDP ratio** has been stable at between 26% and 28% of GDP since the turn of the millennium (Figure 3).

In 2015, the general government's tax-to-GDP ratio is set to be 27.7% of GDP. The Confederation's tax revenue surged that year (see section 1), and its ratio rose to 9.9% of GDP. As the cantons' tax revenue growth was also stronger than GDP growth, their tax-to-GDP ratio rose to 6.8% of GDP. This ratio likewise climbed to 6.8% of GDP for the social security funds and should rise to 4.2% of GDP for the municipalities.

Because of the renewed GDP growth in 2016 and the slight increase in tax receipts, the tax-to-GDP ratio should stabilize below 28% in 2016 and 2017.

Figure 3: 1990-2017 general government tax-to-GDP ratio and expenditure ratio, in % of GDP



Between 2003 and 2007, the **general government expenditure ratio** was marked by the very healthy economic conditions and various relief measures, and it was possible for it to be lowered considerably from 33.8% to 30.0% (Figure 3). The economic climate deteriorated following the financial crisis of the fall of 2008. It caused additional government expenditure in all sub-sectors and led to a substantial increase in the general government expenditure ratio in 2009.

The general government expenditure ratio is set to gain 0.7 percentage points and reach 33.6% of GDP in 2015. This is a rather high level relative to previous years. The increase can be explained by the combination of weak nominal GDP growth and the extraordinary expenditure envisaged by the cantons for the recapitalization of their pension funds (see section 1). Moreover, the Confederation's investments increased in 2015. The municipalities' ratio is set to rise slightly, and that of the social security funds was up somewhat year on year.

The general government expenditure ratio should more or less stay at the same level in 2016 and 2017. The Confederation's expenditure was higher in 2016, particularly in the area of asylum and railway infrastructure (RIF).

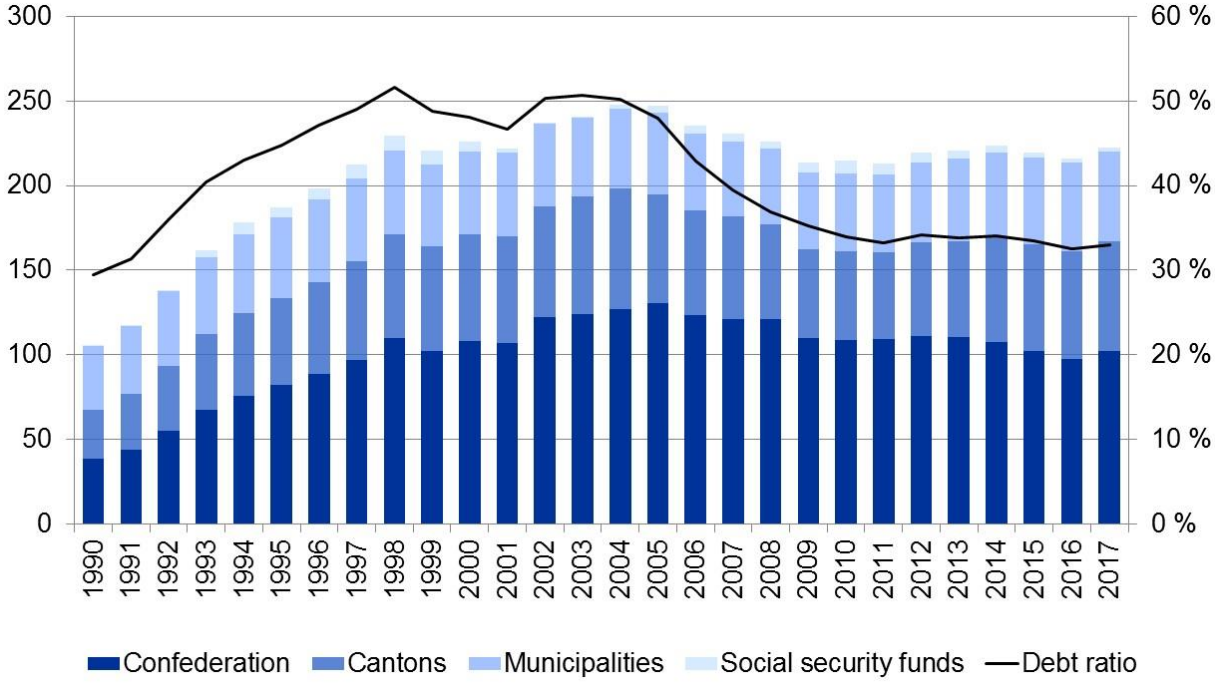
The **debt ratio** of the government units is stated in the financial statistics with reference to the EU's Maastricht criteria. Since 2003, the gross debt ratio of the individual sub-sectors has been reduced thanks to sometimes high surpluses. It has been below 40% of GDP since 2007 and was lowered to 33.2% in 2011. The debt ratio rose slightly again after 2011 (Figure 4).

The general government's debt ratio is set to be 33.4% of GDP in 2015. The Confederation lowered its debt ratio, bringing it below the 16% mark. In the case of the cantons, the debt ratio has been on an upward trend since 2011. It edged up to 9.7% of GDP in 2015. This increase can be explained primarily by the trend in the canton of Solothurn, which recapitalized its public-sector pension fund. The cantons' debt ratio is set to maintain its upward trend, while that of the social security funds declined, mainly as a result of the repayment of the unemployment insurance debt vis-à-vis the Confederation.

Based on the long-term debt reduction in the Confederation and social security funds sub-sectors, a debt ratio of 32.6% of GDP is expected for the general government in 2016. The

debt ratio is set to rise in 2017, as Confederation bonds will be valued using a new method in the Confederation's statement of financial position.

Figure 4: 1990-2017 gross debt for all sub-sectors, in CHF bn (left scale) and in % of GDP for the general government (right scale)



The **gross debt ratio** states government debt according to the IMF definition as a percentage of GDP. It includes more balance sheet items than Maastricht debt (Appendix 3.2).

Thanks to the high surpluses achieved in previous years, the gross debt ratio declined between 2004 and 2010. It has tended to rise since. In 2015, it should post a year-on-year increase to 45.4% of GDP. The Confederation pursued its debt reduction efforts, but the fair value of its bonds rose. The ratio rose for the cantons too, essentially for the same reasons as for the debt ratio. The gross debt ratio should edge down to 44.1% in 2016. It is quite volatile because of capital market fluctuations. The gross debt ratio will rise again in 2017 for the same reasons as those mentioned for the debt ratio.

3. Appendix

3.1. Information on methodology

The FFA's Financial Statistics Section is in a changeover phase. The finances of the government units are additionally published using the so-called GFS Model in accordance with the guidelines of the IMF to facilitate international comparisons. These are calculated on the basis of the results of the FS Model. The data and indicators published in this report are based on the method used in the IMF's new GFSM 2014.

With the implementation of conceptual changes, it is necessary to review not only the basic data and data sources used, but also the calculation methods. Because of the introduction of the GFSM 2014, there are also adjustments to the basic statistics, i.e. the national FS Model, on which the GFS Model is built. The individual changes made in the FS and GFS Model are described in a technical note[7] posted online.

The latest round of revisions has provisionally been completed with the first publication of the international financial statistics model (GFS Model) in accordance with the GFSM 2014. Such comprehensive revisions of the methodological and conceptual calculation basis occur approximately once every 15 to 25 years and aim to take account of the changed economic circumstances and issues. The GFSM 2014 is specifically targeted to what is needed for analyzing the government's revenue, financial and asset situation in an economic territory (country). Just like the current European System of Accounts (ESA 2010), the GFSM 2014 is also based on the standard reference work for national accounts, the System of National Accounts (SNA 2008) of the international organizations (UNO, OECD, IMF, World Bank, European Commission).

Striking conceptual changes within the framework of the GFS Model concern expenditure on military weapon systems and research and development expenditure:

- Military weapon systems: Previously, the procurement of military weapon systems, e.g. fighter jets, was considered as the purchase of goods and services and thus as intermediate consumption. Consequently, they were part of government final consumption expenditure in the system of national accounts. As military weapon systems can be used for more than a year and can possibly be resold, they are now treated as capital formation. Their acquisition is recorded as capital expenditure and they are capitalized under non-financial assets in the general government's balance sheet. Previously, military facilities that could also have civilian uses such as barracks or motor vehicles for civilian use were already recorded as capital formation.
- Research and development: Because expenditure on research and development (R&D) has a lasting impact on a country's national economy that is measurable over a period of several years, this is now treated as capital formation as well. Investment in research and development can optimize or improve the production process. In the GFS Model of financial statistics, only the general government's investment share is taken into account; likewise, only that part is capitalized under non-financial assets in the balance sheet.

As part of the changeover to the GFSM 2014, a reconciliation is also being performed with the Swiss system of national accounts established by the Federal Statistical Office (FSO). This was published in accordance with the ESA 2010 for the first time as of 30 September 2014. The Financial Statistics Section's results for the GFS Model are of a provisional nature for the time being, as the reconciliation with the Swiss system of national accounts has not yet been completed. Items that are currently outstanding include issues associated with the recording, coverage and valuation of contributions for the financial restructuring and funding of public-sector pension funds, as well as the amount of the resultant employee retirement benefits.

[7] See *technical notes* at: https://www.efv.admin.ch/efv/en/home/themen/finanzstatistik/methoden.html

3.1.1. Overview of financial statistics models

The statistics on Switzerland's public finances, or financial statistics for short, give an overview of the revenue, financial and asset situation of the government units in Switzerland. The financial statistics data is recorded, processed and evaluated in the so-called FS Model, the core of which is based on the HAM2. The Swiss Public Sector Financial Reporting Advisory Committee[8] (SRS-CSPCP) publishes information on the current status of the HAM2 as well as interpretations concerning individual specialist recommendations and frequently asked questions online on its website.

The FS Model is a model for financial statistics that allows the financial results supplied by the Confederation, cantons, municipalities and social security funds to be standardized and made comparable. At the same time, it forms the basic statistics for mapping, statistical operations and evaluations in accordance with the international GFS Model of financial statistics, in which the public finance guidelines of the IMF are implemented.

The HAM2 chart of accounts forms the basis for the economic classification used in the FS Model. On the one hand, it is streamlined to simplify matters and on the other, items "not elsewhere classified" are added, as the cantons and municipalities are still partly supplying their accounts according to the earlier HAM1. These additional items are needed because the HAM1 is less detailed in parts. Consequently, these positions cannot be clearly mapped to HAM2 items. Apart from quite minor exceptions, the functional classifications of the HAM1 and HAM2 are the same. The data from the Confederation's separate accounts and state financial statements, as well as the social security funds, is also integrated in this model and is incorporated directly into the GFS Model.

In the case of the general government sector, both models use the same delimitation criteria for determining the consolidation scope as those used in the national accounts. This sector is subdivided into the economic sub-sectors Confederation (including separate accounts and decentralized entities), cantons, municipalities and social security funds. The consolidated general government sector thus covers all government units. Public enterprises are not included.

However, the FS and GFS Models serve different purposes (Table 3). The inclusion of separate accounts and decentralized entities in the Confederation sub-sector, for example, leads to indicators that are not directly comparable with those produced in the Confederation's financial reporting.

[8] See http://www.srs-cspcp.ch/en

Table 3: Overview of financial statistics models

	FS Model	GFS Model
Basis	National accounting models for the cantons and municipalities (HAM2) and the Confederation (NAM)	International financial statistics guidelines of the IMF (GFSM 2014)
Objective	National comparability of government units	International comparability of the general government sector and its sub-sectors
Results	Statements of financial performance and investments, financing statement and statement of financial position	Operating statement, transactions in non-financial assets and balance sheet
Scope	Economic sub-sectors (Confederation, cantons, municipalities, social security funds) and the general government sector down to the level of individual budgets (cities and cantonal capitals, cantons, social security funds)	Only at the level of the economic sub-sectors (Confederation, cantons, municipalities, social security funds) and the general government sector

3.1.2. Government Finance Statistics Model (GFS)

Like the FS Model, the GFS Model also uses the accrual basis of accounting, the main feature of which is the allocation of business transactions to the corresponding accounting period. The GFS Model does not provide a breakdown between ordinary and extraordinary results, and instead distinguishes between transactions and other economic flows. While the net operating balance[9] and net lending/borrowing[10] are derived from transactions and can be controlled by fiscal policy, unanticipated events[11] such as changes in the value of stocks are considered other economic flows, which are beyond policy control. Stocks are valued in accordance with the "true and fair view" principle, whereby negotiable assets and liabilities in particular are recognized in the balance sheet[12] at fair value.

Investments are also reported differently in the GFS Model than in the FS Model. A key variable in transactions in non-financial assets in the GFS Model is what is termed the net acquisition of non-financial assets. This is defined as acquisitions less disposals of non-financial assets and less the consumption of fixed capital. Unlike in the FS Model, however, loans granted to other government units and associated increases in financial interests are not recognized as investments and are thus not included when calculating transactions in non-financial assets. They are treated as transfers to other general government levels and are thus considered part of the operating statement.

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9 Net operating balance = revenue – expense

10 Net lending/borrowing = net operating balance – net acquisition of non-financial assets
= government receipts – government expenditure

11 Unanticipated events in the GFS Model are not to be confused with extraordinary transactions in the FS Model. For example, the recapitalization of pension funds is not considered as an unanticipated event in the GFS Model. In contrast, the consequences of a natural disaster or valuation changes due to changes in market prices are considered as unanticipated events that are beyond the control of fiscal policy.

12 The term "balance sheet" is used in the GFS Model instead of the term "statement of financial position".

3.1.3. Data sources

The financial statistics are based on the data disclosed in the state financial statements of the Confederation and all the cantons, as well as the annual reports of approximately 900 municipalities. All cities and cantonal capitals as well as random samples per canton are taken into account. Based on the accounts of the municipalities surveyed, estimates and extrapolations are made for the other municipalities per canton. Social security funds are also included (old-age and survivors' insurance, disability insurance, compensation for loss of earnings and unemployment insurance, agriculture family allowances, maternity insurance in Geneva). Institutions that are counted in the government units but not included in the state and municipal accounts are integrated into the statistics for the sake of comparability and completeness. In contrast, public enterprises that are consolidated in the state and municipal accounts are excluded (see 3.1.4.). For these reasons, the evaluations in the financial statistics do not necessarily correspond to the financial statements published by the Confederation, cantons, municipalities and social security funds.

Due to the vast workload involved in compiling and harmonizing the data caused by the federal structure of the government units, there is generally a time lag of some 18 months before publication of the definitive results for each fiscal year. However, estimates can be used to provide more up-to-date statements and forecasts for the general government sector and the individual sub-sectors, i.e. Confederation, cantons, municipalities and social security funds. The financial statistics are based on the financial statements up to 2014 (Table 4). For the Confederation (including separate accounts and decentralized entities), the 2015 figures are also based on the corresponding financial statements. The 2016 forecasts are based on the definitive federal financial statements and on the provisional financial statements for the separate accounts and decentralized units. The 2017 forecasts are based on the budget or on the financial plans as the case may be. The 2015 data for the cantons is based on the financial statements, and the forecasts are based on a survey of the cantonal financial statements (2016) and the cantonal budgets (2017). The 2015-2017 forecasts for the municipalities are based on several indicators. The 2015 figures for the social security funds are based on their financial statements, and the 2016-2017 forecasts are based on their budget or financial plan figures.

In the case of the cantons and municipalities, it needs to be borne in mind that the budgets and financial plans used for preparing the forecasts are not uniform. Consequently, discretionary measures (e.g. relief programs, recapitalization of pension funds) of these government units are not always incorporated into the forecasted data. For this reason, the figures are to be interpreted with all due caution as the length of the forecast horizon increases.

The updated results were published on March 6, 2017. All data tables and information on the methods are available online[13].

Table 4: Sources for financial statistics data, February 2017

Sub-sector	Up to 2014	2015	2016	2017
General government	**Financial statements**	**Forecasts**	**Forecasts**	**Forecasts**
Confederation[1]	Financial statements	Financial statements	Provisional financial statements	Budget/financial plans
Cantons	Financial statements	Financial statements	Financial statements survey	Budget survey
Municipalities	Financial statements	Forecasts	Forecasts	Forecasts
Social security funds	Financial statements	Financial statements	Budget/financial plans	Budget/financial plans

[1] Including separate accounts and decentralized entities

Grayed: forecasts

[13] https://www.efv.admin.ch/efv/en/home/themen/finanzstatistik/berichterstattung.html

3.1.4. Differences between financial statistics and state financial statements

The differences between the figures published by the Financial Statistics Section and the government units' own state financial statements are explained below. Such discrepancies can occur in all sub-sectors of the general government (Confederation, cantons, municipalities and social security funds). They generally arise as a result of differences in the understanding of the scope of consolidation, i.e. the sectoring of financial statistics. For the purpose of financial statistics, the entities included in the general government sector are defined in accordance with the criteria of the European System of Accounts (ESA 2010). Thus, in addition to the Confederation as the parent entity, the cantons, municipalities and social security funds, all other entities meeting these criteria are included. In financial statistics, general government units are all entities that are independent institutions under state control and which either:

- collect taxes,
- redistribute income and wealth, or
- fund less than half of their production costs via sales or fees.

Institutions not meeting these criteria are not included or are removed from the state financial statements. Thus, public enterprises like hospitals, electricity, gas and district heating plants, transportation companies, waterworks, waste incineration plants and antenna installations that cover over half of their production costs through the sale of goods and services or through fees do not fall under the general government sector. Likewise, the general government sector does not include state financial institutions and financial service providers such as the Swiss National Bank, cantonal banks or public-sector pension funds. These are classified as financial corporations. Financial and non-financial corporations are recorded as separate economic sectors in the Swiss system of national accounts, with no distinction being made between public and private enterprises.

The differences between the financial statistics and the state financial statements in accordance with the financial reporting are explained below using the Confederation as an example. According to the financial statistics, the Confederation sub-sector comprises the Confederation itself as the parent entity as well as the separate accounts that appear in the Confederation's financial reporting but which are not consolidated with the parent entity: the Swiss Federal Institutes of Technology Domain (ETH), the Swiss Alcohol Board (SAB), the Infrastructure fund, the FinPT fund for the financing of major railway projects, and from 2016 the railway infrastructure fund (RIF), which is to replace the FinPT fund. It also includes the decentralized entities that are more than 50% funded by the Confederation, as set out in the ESA 2010 criteria: Swiss National Science Foundation (SNSF), Swiss Federal Institute for Vocational Education and Training (SFIVET), Pro Helvetia Arts Council, Swiss National Museum, Switzerland Tourism, Swiss Federal Institute of Metrology (METAS), grid supplement fund (CRF) and Building Foundation for International Organisations (FIPOI). On the other hand, FINMA and its predecessors are funded mainly through fees and supervisory duties paid by the regulated bodies and are thus not included; they are no longer included in the Confederation's state financial statements. The differences between the national FS Model and the international GFS Model also have to be taken into account. These exist primarily through the separate booking of other economic flows in the GFS Model. This leads to a narrower definition of revenue and expense in the GFS Model. Table 5 shows the sequence for moving from the balances in the state financial statements in accordance with the Confederation's financial reporting to the balances calculated using the GFS Model.

Table 5: Differences in the Confederation's financial reporting – FS Model – GFS Model, in CHF mn

Confederation	2011	2012	2013	2014	2015
Ordinary fiscal balance in accordance with financial reporting	**1912**	**1262**	**1332**	**-124**	**2337**
+ Extraordinary fiscal balance in accordance with financial reporting	-1708	738	1306	213	493
Overall fiscal balance in accordance with financial reporting	**205**	**2000**	**2638**	**89**	**2831**
+ Balance from consolidation of seperate accounts of the federal fin. Statements (1)	-511	-388	-248	42	-140
+ Balance from consolidation of decentralized entities financed primarily by tax (2)	161	73	81	63	15
+ Balance of special factors (3)	850	0	0	0	0
Overall fiscal balance in accordance with FS Model	**704**	**1685**	**2470**	**194**	**2706**
- Balance sheet transactions adjustment (4)	-169	-337	904	-228	-175
- Other economic flows adjustment (4)	-4177	-2814	-3724	-3680	-4211
+ Accrual accounting (5)	-3620	-4153	-5086	-4011	-5323
+ Statistical operations (6)	1268	-10	534	445	614
- Net acquisition of non-financial assets (7)	1202	99	802	529	524
Net lending/borrowing in accordance with GFS Model	**1496**	**574**	**-64**	**7**	**1858**

(1) ETH, FinPT, IF, SAB
(2) Separate accounts in accordance with financial statistics (SFIVET, Swiss National Science Foundation, Pro Helvetia, Switzerland Tourism, Swiss National Museum, METAS, CRF, FIPOI)
(3) 2011: e.o. infrastructure fund deposit
(4) Not included in the balance in accordance with the GFS Model
(5) Entries without a financial impact (included in the GFS balance)
(6) Statistical operations for the purpose of adjusting to the IMF's GFSM 2014
(7) Net lending/borrowing = revenue – expense – net acquisition of non-financial assets

3.2. Glossary of financial statistics indicators

The financial statistics indicators are stated using the international GFS Model of financial statistics in accordance with the guidelines of the IMF. The debt ratio is an exception, as it is also calculated with reference to the EU's Maastricht criteria using the FS Model. This ensures that the indicators are internationally comparable. The indicators for the general government sector and its sub-sectors (Confederation, cantons, municipalities and social security funds) are based on five aggregates, each of which is expressed as a percentage of GDP. They serve primarily as a basis for international comparisons. The ratios are based on the revised GDP figures in accordance with the European System of Accounts (ESA 2010).

Tax-to-GDP ratio: The tax-to-GDP ratio measures the general government sector's total tax revenue (tax and social security contributions) in relation to nominal GDP. In addition, the tax ratios of the Confederation, cantons and municipalities as well as the social security funds can be calculated. Social security contributions include mandatory contributions for old-age and survivors' insurance, disability insurance, compensation for loss of earnings and unemployment insurance, agriculture family allowances and maternity insurance in the canton of Geneva. Although mandatory, health insurance, accident insurance and pension fund contributions are not taken into account, as these corporations do not belong to the general government sector. Therefore, the tax-to-GDP ratio is not to be understood as the ratio of compulsory payments. The tax-to-GDP ratio expresses the proportion of GDP used by the general government to finance its tasks using taxes and contributions. A major divergence between the general government expenditure ratio and the tax-to-GDP ratio indicates a debt-financed budget.

General government expenditure ratio: The tax-to-GDP ratio serves to finance the general government expenditure ratio, which is defined as total government expenditure in relation to GDP. Total expenditure (current expense and net acquisition of non-financial assets) in all sectors is taken into account in the process. Tax ratios can also be calculated for the individual sub-sectors of the general government sector.

Deficit/surplus ratio: The deficit/surplus ratio for the general government sector or one of its sub-sectors corresponds to net lending/borrowing in accordance with the GFS Model as a percentage of GDP. Net lending/borrowing can be calculated in two ways:

Net lending/borrowing = revenue – expense – net acquisition of non-financial assets
= government receipts – government expenditure

Debt ratio: The debt ratio as measured with reference to the Maastricht definition shows the relationship between the gross debt of the government units and GDP. This indicator is based on the HAM2 definition. It is also calculated with reference to the EU's Maastricht criteria for the gross debt ratio. In accordance with the HAM2, gross debt is comprised of current liabilities, short-term debt, medium- and long-term debt and liabilities for separate accounts. The financial instruments taken into account are valued at face value. With reference to the Maastricht definition, the general government's debt comprises only liabilities in the form of currency and deposits, debt instruments and loans. As gross debt as defined by the Maastricht criteria is a subset of the IMF definition of gross debt, it is always lower than it.

Gross debt ratio: The gross debt ratio states general government debt according to the IMF definition as a percentage of GDP. With the exception of financial derivatives, it includes all liabilities on the liabilities side of the balance sheet and is thus more broadly defined than Maastricht debt and is therefore always higher in principle. Another important difference is that the IMF requires market valuation of debt capital insofar as possible. The IMF gross debt ratio is therefore subject to significantly greater fluctuations than the Maastricht debt ratio, where debt is included at face value. Bonds and other market-traded debt instruments, in particular, reached a relatively high level in the last few years compared with their face value. Nonetheless, the IMF gross debt ratio follows a similar trend to the Maastricht debt ratio and is 10 percentage points higher than it on average.

Government unit: The consolidated accounts of a government unit adjusted for internal transactions are made up of its own accounts (parent entity) and the separate accounts of all institutional entities for consolidation that are under the control of the executive and legislative bodies of said government unit. All controlled entities whose sales of goods and services do not cover at least 50% of production costs are for consolidation. If, however, the consolidated financial statements of a government unit include government-controlled entities that are largely self-financed via the sale of goods and services, these are removed. Such entities are treated as public market producers or public enterprises. The scope of the general government sector is described in more detail in the annual report on Switzerland's financial statistics, which contains a list of added and eliminated entities[14].

[14] https://www.efv.admin.ch/efv/en/home/themen/finanzstatistik/uebersicht.html