Press release

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Public finances: high surpluses thanks to withholding tax receipts

In 2016 to 2018, the financial situation of the public sector is pleasantly positive. Especially in the case of the Confederation, large surpluses can be achieved thanks to surprisingly high withholding tax receipts. Positive balances can be expected in the case of the cantons and the social security funds too, while the municipalities' results are likely to be quite balanced. In view of this positive situation, a debt reduction can be expected over the next few years particularly in the case of the Confederation and social security funds. This is what is depicted in the latest financial statistics figures.

With a surplus ratio of 0.4% of nominal gross domestic product (GDP), the government units ended 2016 in positive territory for the second time in succession. The Confederation, cantons and social security funds achieved surpluses in the order of 0.1%. The municipalities were also back in the black for the first time after seven years of deficits.

Thanks to surprisingly high withholding tax receipts, the Confederation's total receipts surged in 2017. Given that this was accompanied by virtually stagnant expenditure, the Confederation had a record high surplus ratio of 0.9% of GDP, which it achieved only once before, in 2008. According to initial estimates, the cantons and social security funds are likewise expected to post positive balances in 2017 (0.1% like the previous year). Only the municipalities are again slipping into negative territory. Overall, the general government has a surplus ratio of 1.2%.

Also in 2018, the general government surplus is likely to remain high at 0.8%. In this regard, the balances of the cantons, municipalities and social security funds are continuing to move sideways. The cantons and social security funds are expected to have surplus ratios of 0.1% to 0.2%, while the municipalities could have small deficits. With 0.5%, only the Confederation is likely to post a comparatively high surplus once again. However, the positive balances of the social security funds in 2016 to 2018 should not hide the imminent retirement provision challenges.

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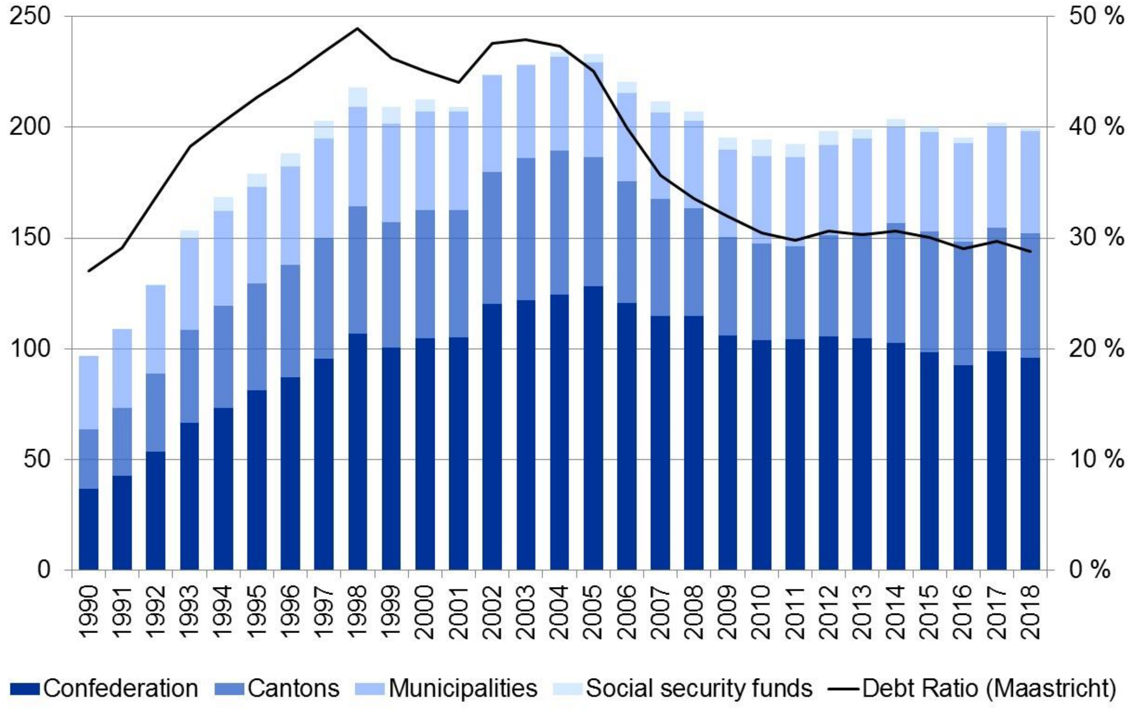
Maastricht debt 1990-2018 for all sub-sectors, in CHF bn (lhs) and in % of GDP for the general government (rhs)



In view of this positive situation, a debt reduction can be expected over the next few years particularly in the case of the Confederation and social security funds, although the Confederation's reduction was interrupted in 2017 following a revaluation of Confederation bonds. The social security funds' debt reduction is attributable primarily to the repayment of the federal unemployment insurance loan. In the case of the cantons, the debt increase is likely to slow down noticeably by the end of the forecast period. The Maastricht debt ratio will probably be 28.8% in 2018.

The Financial Statistics Section of the Federal Finance Administration (FFA) is hereby publishing the provisional results for 2016, as well as forecasts for the subsequent two years regarding the financial situation of the government units (Confederation, cantons, municipalities and social security funds). The definitive results for 2016 for all levels of government will be published at the start of September 2018.

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