Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

Federal Department of Finance FDF

Federal Finance Administration FFA

Brief report on financial statistics

Date: 05.09.2019

Public finance trends: Results for 2017 and 2018-2020 forecasts

Contents

This overview presents the definitive results for the consolidated accounts of the general government sector (Confederation, cantons, municipalities and social security funds) for 2017, as well as 2018 results for the Confederation and social security funds. Moreover, the report provides forecasts for all general government sub-sectors for 2018 to 2020.

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 compiled according to the Government Finance Statistics Manual (GFSM 2014).

A report on the latest financial statistics results can be found below. Information on the methodology is provided in the appendix. The more detailed annual report, "Switzerland's financial statistics for 2017", will be published at the end of October 2019. Technical notes on earlier 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] With this publication, the Financial Statistics Section is now publishing all surveyed municipalities with 5,000 inhabitants or more, as well as tables linking categories and functions from 1990

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

onward per canton including municipalities.[2] Answers to frequently asked questions on financial statistics are also being published.[3]

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 2014 to 2020 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** amounted to 5.4 billion in 2017 and was clearly better than the previous year. This positive result was driven primarily by the Confederation's high surplus (3.7 bn, including separate accounts and decentralized administrative units) and to a slightly lesser extent by that of the cantons (1.2 bn) and social security funds (0.9 bn). In the case of the Confederation, ordinary receipts rose significantly year on year, due mainly to higher withholding tax receipts. In contrast, expenditure growth was much weaker. It was strongest in the task areas of education (ETH Domain, Swiss National Science Foundation SNSF and EU research programs), finances and taxes (cantons' shares of direct federal tax and withholding tax) and social security (Confederation's payments to old-age and survivors' insurance).

The cantons presented an ordinary result of more than 1 billion for the second time in a row in 2017. Ordinary receipts were up primarily because of an increase in taxes on the income of natural persons. Moreover, the cantons benefited from the high federal receipts from withholding tax and the SNB's profit distribution of 1.7 times the normal amount. Ordinary expenditure growth was strongest in the task areas of general administration, health and social security. The transfer of hospital real estate to the respective operators in the cantons of Solothurn and St. Gallen played an important role in the case of health expenditure.

The municipalities' ordinary fiscal balance was negative for the sixth consecutive year in 2017 (-0.4 bn), with ordinary expenditure growth slightly exceeding the rise in receipts. The social security funds' ordinary fiscal balance posted a small year-on-year improvement in 2017 and ended the year with a surplus of 0.9 billion. While the ordinary results of disability insurance (IV) and unemployment insurance (ALV) remained positive, old-age and survivors' insurance (AHV) posted a deficit for the second time in succession.

According to the results for the Confederation and the social security funds, as well as estimates based on cantonal data already entered, the general government's ordinary fiscal balance is expected to post a significantly higher surplus of 8.3 billion in 2018. This is likely to weaken somewhat in 2019 and 2020, but it will nevertheless remain in the billions. Current forecasts are pointing toward an ordinary surplus of 6.9 billion for both years. All sub-sectors will presumably have a positive impact on that result. The greatest short-term risk for public finances is that economic situation could deteriorate. This could be triggered by an intensification of the trade dispute between the United States and China or an appreciation of the Swiss franc.

---

[2] https://www.efv.admin.ch/efv/en/home/themen/finanzstatistik/daten.html; under detailed data, FS Model: Cantons and their municipalities, as well as FS Model: Municipalities

[3] https://www.efv.admin.ch/efv/en/home/themen/finanzstatistik/faq.html

According to the federal financial statements, ordinary receipts posted a substantial year-on-year increase in 2018, due mainly to higher direct federal tax receipts.[4] The Confederation and the cantons will also benefit from a supplementary distribution of 1 billion (previous year 0.7 bn) as a result of the strong business performance of the Swiss National Bank (SNB) in 2017. One third of the total amount of 2 billion to be distributed will go to the Confederation and two thirds to the cantons. In contrast, the Confederation's ordinary expenditure was only slightly higher than the previous year. Including separate accounts and the decentralized administrative units, which generated considerable surpluses particularly because of the railway infrastructure fund and the motorway and urban transportation fund, the Confederation's ordinary result amounted to around 4.6 billion in 2018. In 2019, the Confederation sub-sector is likely to have an ordinary surplus of around 3 billion. Despite the implementation of the tax reform and AHV financing (TRAF), a positive overall fiscal balance is expected in the ordinary budget for 2020 (1.5 bn). This will be facilitated by the dynamic nature of direct federal tax and withholding tax.

Table 1: 2014-2020 accounts, in CHF mn

		2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
General government	Receipts	206,499	214,482	215,642	221,806	227,052	231,215	234,287
	Expenditure	207,414	213,046	212,912	216,179	218,792	223,877	227,470
	Overall fiscal balance	**-915**	**1,436**	**2,730**	**5,627**	**8,261**	**7,338**	**6,817**
	Ordinary fiscal balance	685	4,310	2,938	5,408	8,267	6,897	6,935
Confederation (1)	Receipts	64,944	69,251	69,367	72,777	74,252	75,097	76,047
	Expenditure	64,749	66,545	67,495	68,878	69,591	71,641	74,535
	Overall fiscal balance	**194**	**2,706**	**1,872**	**3,899**	**4,661**	**3,457**	**1,511**
	Ordinary fiscal balance	-18	2,212	1,394	3,721	4,571	2,967	1,511
Cantons	Receipts	82,785	86,059	87,295	89,332	91,885	94,283	95,640
	Expenditure	85,170	88,559	86,768	88,156	89,272	91,319	93,028
	Overall fiscal balance	**-2,385**	**-2,500**	**527**	**1,176**	**2,614**	**2,964**	**2,611**
	Ordinary fiscal balance	-662	755	1,107	1,164	2,759	3,013	2,729
Municipalities	Receipts	45,444	46,809	47,368	48,425	49,563	50,612	51,337
	Expenditure	46,324	47,254	47,746	48,761	49,343	50,382	51,171
	Overall fiscal balance	**-880**	**-445**	**-378**	**-336**	**220**	**230**	**166**
	Ordinary fiscal balance	-791	-332	-273	-366	171	230	166
Social security funds	Receipts	61,958	62,281	62,670	63,495	63,565	64,511	67,350
	Expenditure	59,802	60,605	61,960	62,607	62,799	63,824	64,822
	Overall fiscal balance	**2,156**	**1,676**	**710**	**888**	**766**	**687**	**2,528**
	Ordinary fiscal balance	2,156	1,676	710	888	766	687	2,528

[1] Including separate accounts and decentralized administrative units

Grayed: extrapolations and forecasts

The currently available cantonal data is pointing to an ordinary surplus of 2.8 billion in 2018. Ordinary receipts are likely to grow much more sharply than expenditure. The cantons will benefit not only from higher tax receipts, but also from the high federal receipts from direct federal tax and withholding tax, as well as a higher profit distribution from the SNB. The ordinary fiscal balance is likely to be similar in the following two years (2019: 3.0 bn; 2020: 2.7 bn) as well.

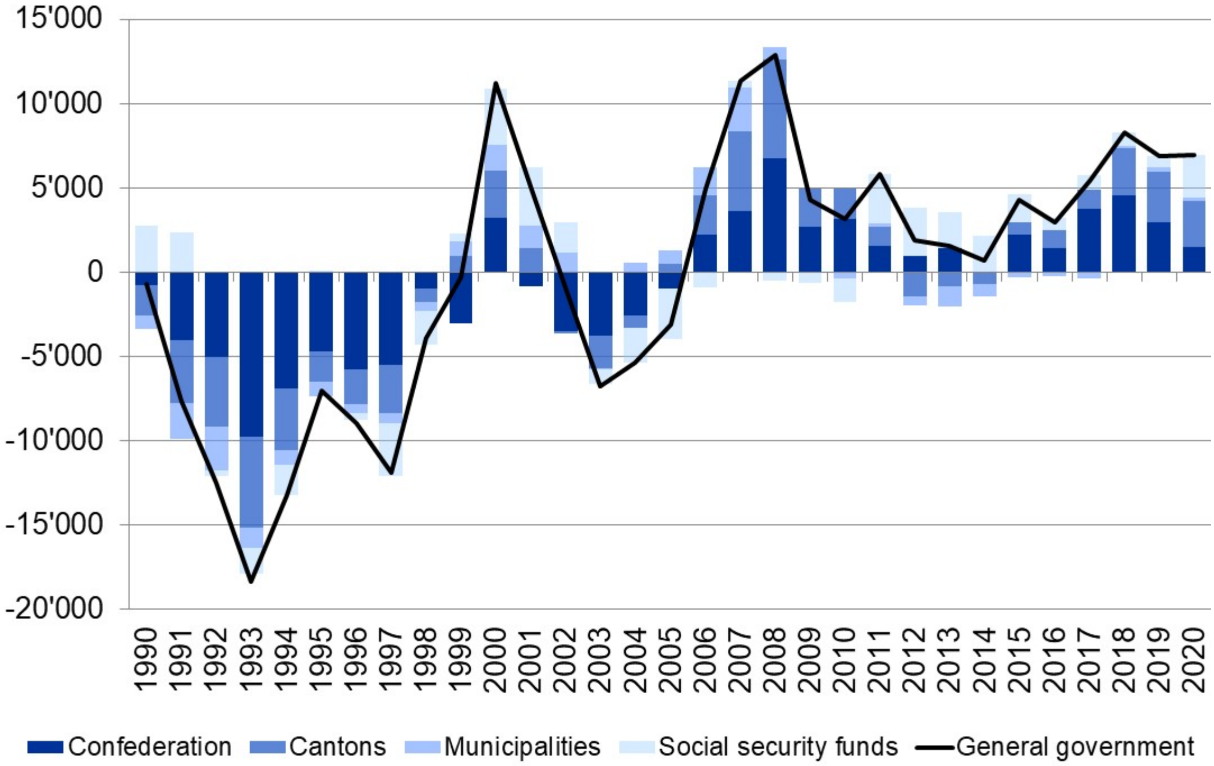
After several years in negative territory, the municipalities' ordinary fiscal balance is likely to improve and return to slightly positive territory from 2018.

The social security funds sub-sector posted its eighth consecutive surplus in 2018. Thanks to the low rate of unemployment, the payments made by unemployment insurance funds decreased in 2018, which had a positive impact on the ordinary fiscal balance of the ALV (1.2

4 Federal Finance Administration (2019). 2018 financial statements: another pleasing surplus. Press release of 13.02.2019, Bern.

bn) and the social security funds sub-sector (0.8 bn). The social security funds' ordinary surplus is likely to rise to around 2.5 billion in 2020 thanks to the additional receipts arising from the tax reform and AHV financing (TRAF) for old-age and survivors' insurance.

Figure 1: 1990-2020 ordinary fiscal balance, in CHF mn



The general government's **overall fiscal balance** rose by 2.9 billion in 2017 and reached just over 5.6 billion. The Confederation recognized extraordinary receipts from COMCO fines for the manipulation of financial market figures (99 mn) and additional payments within the framework of the Swissair liquidation settlement (78 mn). The Confederation's financing surplus was 3.9 billion. The cantons achieved a positive overall fiscal balance of 1.2 billion, while the municipalities posted a deficit of 0.3 bn. Both the cantons and municipalities had only small amounts of receipts and expenditure in the extraordinary budget. Consequently, there is only a minor difference between the fiscal balances and the ordinary results. Moreover, the social security funds did not record any extraordinary transactions.

The general government sector is likely to post another clearly positive overall fiscal balance (8.3 bn) in 2018. The extraordinary receipts (224 mn) of the Confederation, cantons and municipalities consist mainly of repayments (including interest) of unduly received subsidies by PostAuto AG (around 190 mn in total). In the case of the cantons, these receipts stand against extraordinary expenditure to fund public-sector pension funds (probably 230 mn), especially in the cantons of St. Gallen and Valais.

A financing surplus of 7.3 billion is assumed for the general government in 2019. According to the June 2019 extrapolation, the Confederation is expected to have extraordinary receipts of 490 million, generated by the spring auction of mobile radio frequencies (376 mn) and fines ordered by the Competition Commission against various banks (113 mn). No extraordinary expenditure is planned, with the result that the Confederation sub-sector is once again likely to post a surplus of several billion (around 3.5 bn in 2019). No extraordinary receipts or expenditure is planned for the social security funds and municipalities. According to current information, the cantons can expect extraordinary expenditure of around 50 million for the restructuring of public-sector pension funds.

Regarding the general government sector, a significant surplus is expected in the financing statement also in 2020. Only extraordinary transactions in the cantons sub-sector (pension fund restructuring of around 118 mn) will drag down the result of 6.8 billion. Major pension fund restructuring will be carried out in Western Switzerland over the next few years, particularly in the cantons of Fribourg and Geneva.

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 in this report.

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 1.2% in 2017 and 3.0% in 2018. This should be taken into account when interpreting the financial statistics indicators' trend. The GDP trend for 2019 and 2020 is based on the official economic forecasts of the federal government's group of experts, published on June 13, 2019.[5]

Table 2: 2014-2020 indicators, in % of GDP

		2014	2015	2016	2017	2018	2019	2020
Deficit/surplus ratio	**General government**	**-0.2**	**0.6**	**0.3**	**1.2**	**1.4**	**1.1**	**1.1**
	Confederation	0.0	0.4	0.1	0.8	0.8	0.4	0.2
	Cantons	-0.3	0.1	0.1	0.3	0.5	0.5	0.4
	Municipalities	-0.2	-0.1	0.0	0.0	0.0	0.1	0.1
	Social security funds	0.3	0.3	0.1	0.1	0.1	0.1	0.4
Tax-to-GDP ratio	**General government**	**26.9**	**27.6**	**27.7**	**28.5**	**28.1**	**28.1**	**28.1**
	Confederation	9.4	9.9	9.7	10.4	10.1	10.0	10.0
	Cantons	6.7	6.8	6.9	7.0	7.0	7.1	7.0
	Municipalities	4.1	4.2	4.3	4.4	4.4	4.4	4.4
	Social security funds	6.6	6.7	6.7	6.7	6.6	6.6	6.7
Expenditure ratio	**General government**	**32.7**	**32.8**	**32.9**	**32.9**	**32.4**	**32.6**	**32.5**
	Confederation	10.4	10.6	10.7	10.7	10.4	10.6	10.8
	Cantons	13.5	13.6	13.5	13.5	13.4	13.5	13.5
	Municipalities	7.2	7.1	7.1	7.2	7.1	7.1	7.1
	Social security funds	9.1	9.2	9.3	9.3	9.1	9.0	9.0
Debt ratio (Maastricht)	**General government**	**30.6**	**30.0**	**29.0**	**29.3**	**27.6**	**26.7**	**25.7**
	Confederation	15.8	15.0	14.0	14.5	13.2	12.5	12.0
	Cantons	8.3	8.4	8.4	8.2	7.9	7.7	7.4
	Municipalities	6.7	6.8	6.7	6.8	6.7	6.6	6.5
	Social security funds	0.6	0.4	0.4	0.3	0.2	0.0	0.0
Gross debt ratio	**General government**	**43.0**	**43.0**	**41.8**	**42.7**	**40.9**	**39.6**	**38.1**
	Confederation	21.0	20.9	19.8	20.8	19.3	18.4	17.6
	Cantons	12.1	12.2	12.5	12.3	12.2	11.8	11.3
	Municipalities	9.9	10.0	9.7	9.8	9.5	9.5	9.3
	Social security funds	0.7	0.5	0.5	0.4	0.2	0.1	0.1

[1] Including separate accounts and decentralized administrative units

Grayed: extrapolations and forecasts

In the case of the GFS Model, the data is determined using standards that are different from those used for the fiscal balance interpreted in the first part of this report (Appendix 3.2). 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.

The general government had a **surplus ratio** of 1.2% overall for 2017 (Figure 2). Although the Confederation's expenditure growth was rather modest in 2017, receipts surged year on year,

---

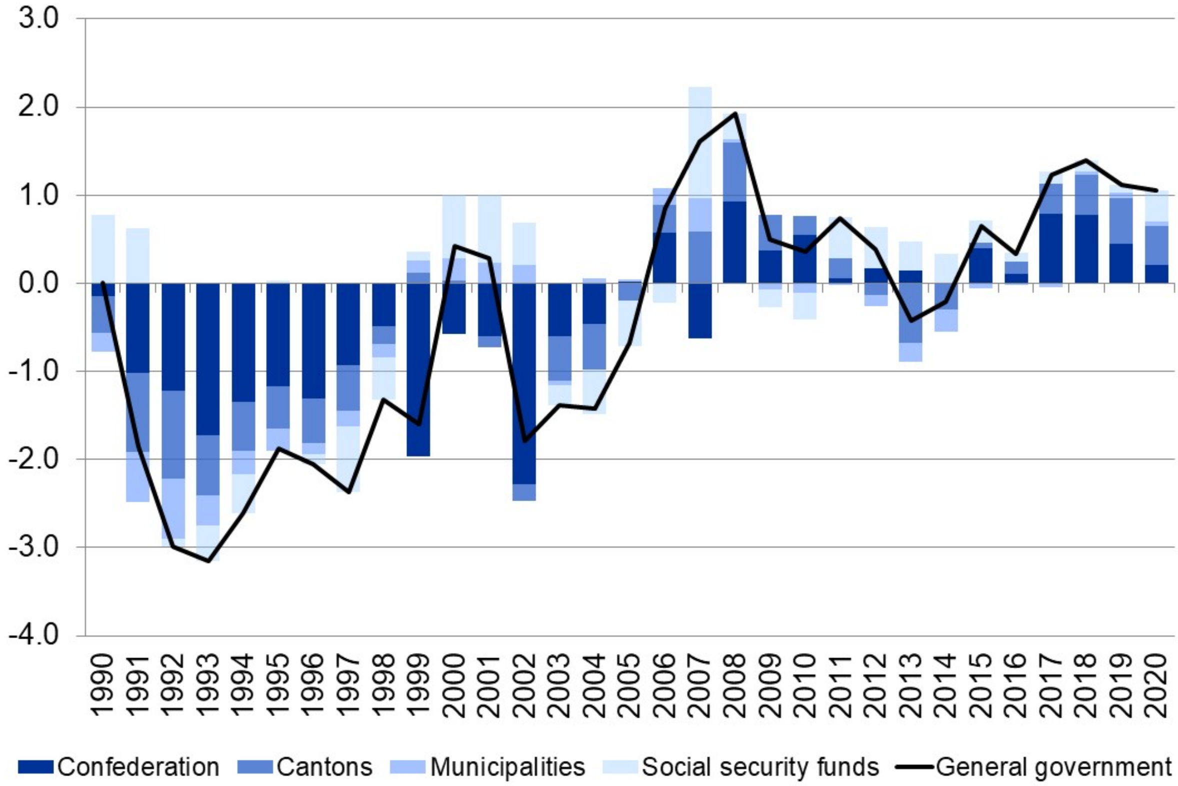
[5] State Secretariat for Economic Affairs (2019). Weaker global economy also slows Swiss economy. Press release of 13.06.2019, Bern.

especially in the case of withholding tax receipts. Consequently, the Confederation had a very high surplus ratio of 0.8% of GDP. While the social security funds ended the year with a surplus of 0.1% of GDP, like the previous year, the cantons even had a surplus ratio of 0.3%. The municipalities had a ratio of more or less 0% once again.

Thanks to the good economic performance in 2018, both the Confederation and the cantons benefited from high tax revenue and achieved large surpluses. Both sub-sectors are expected to achieve their highest surplus ratios since 2008. The Confederation's ratio was at the previous year's level of 0.8%, while that of the cantons will probably rise from 0.3% to 0.5%. The Financial Statistics Section is reckoning on positive overall fiscal balances for the municipalities and social security funds too. Overall, the result is a surplus ratio of 1.4% for the general government.

The general government's surplus is likely to remain high at 1.1% also in 2019 and 2020. All sub-sectors are expected to achieve positive balances. The results of the cantons and municipalities are essentially stable. In contrast, the Confederation's result is likely to deteriorate noticeably toward the end of the reporting period due to the implementation of the tax reform and AHV financing (TRAF), while that of the social security funds will improve.

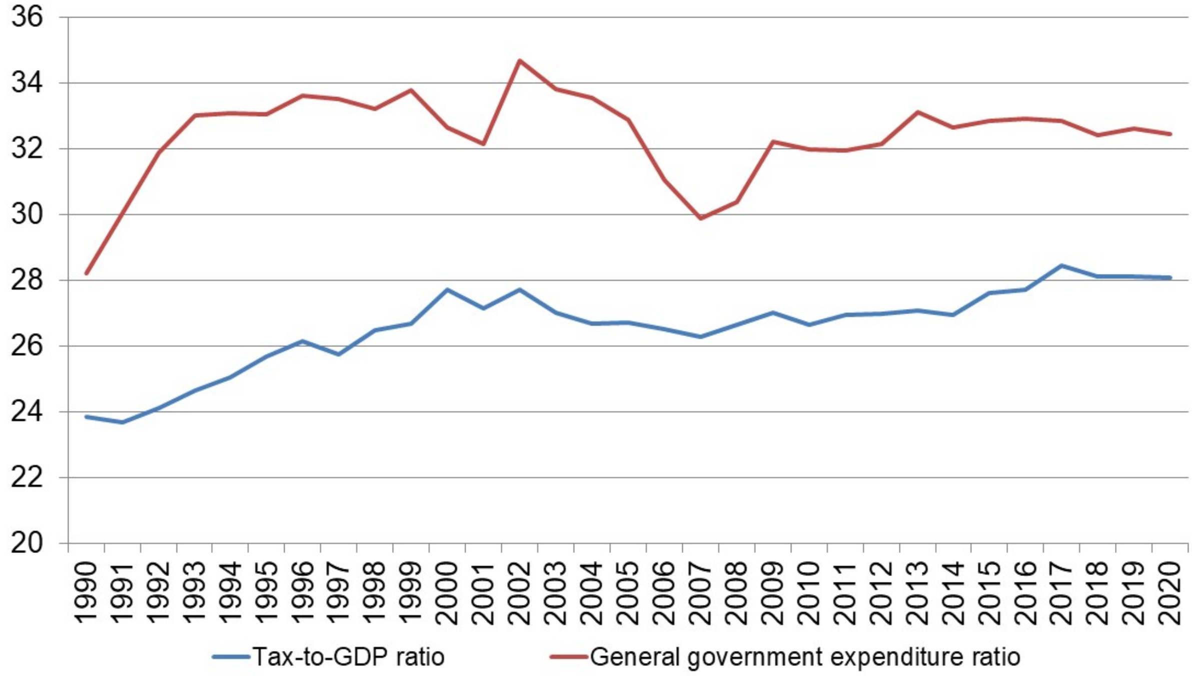
Figure 2: 1990-2020 deficit/surplus ratio, in % of GDP



The **tax-to-GDP ratio**, which measures the general government's total tax receipts (tax and social insurance charges) in relation to GDP, peaked at 28.5% of GDP in 2017 (Figure 3). While GDP growth was relatively weak (+1.2%), the Confederation's tax revenue soared (+8.2%), due primarily to the exceptional development of withholding tax. This caused the Confederation's tax-to-GDP ratio to reach a new high of 10.4% of GDP, while the ratios for the cantons (7.0%), municipalities (4.4%) and social security funds (6.7%) remained practically unchanged year on year.

It is anticipated that the general government's tax revenue will continue to grow steadily in 2018-2020, but will lose momentum in relation to GDP. Consequently, the general government sector's tax-to-GDP ratio will probably be around 28%.

Figure 3: 1990-2020 general government tax-to-GDP ratio and expenditure ratio, in % of GDP



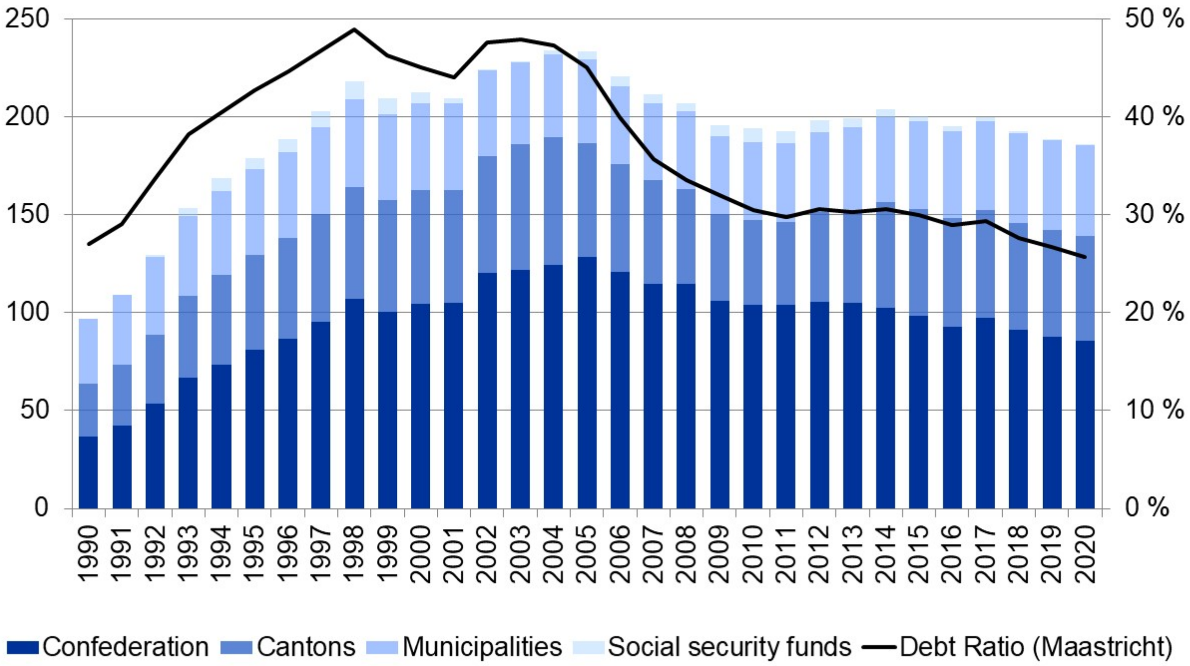
After the **general government expenditure ratio** (Figure 3) surged in the first half of the 1990s and peaked at 34.7% in 2002, it was possible for it to be lowered considerably to 29.9% thanks to the very healthy economic conditions through to 2007 and various relief measures. The surge in 2009 was mainly related to the deterioration of the economic situation and the collapse of GDP as a result of the financial crisis that started in autumn 2008. However, general government expenditure grew only slightly faster than GDP from 2010 to 2016, and the general government expenditure ratio barely edged up. This increase can be explained by the combination of weak nominal GDP growth and the cantons' high extraordinary expenditure for the recapitalization of their pension funds in 2013 to 2016.

The general government expenditure ratio was 32.9% in 2017. The expenditure ratios of the Confederation, the cantons and the social security funds remained at the previous year's levels. Only that of the municipalities rose by 0.1 percentage points. All sub-sectors are expected to have lower expenditure ratios in 2018, with the general government expenditure ratio likely to fall to 32.4%. It will be somewhat higher in the following two years, as federal expenditure growth in particular will slightly outstrip GDP growth.

In the financial statistics, the debt of the general government, i.e. the consolidated government units, and thus also the **debt ratio** are determined in accordance with the Maastricht definition which applies for the EU member states (Figure 4). The debt ratio skyrocketed during the 1990s and peaked at 48.9% in 1998. This increase was attributable mainly to federal debt. The debt ratio has been declining since 2003 on account of the global economic upswing from 2003 to mid-2008 and the introduction of the debt brake for the Confederation. The Maastricht debt ratio dropped below 40% of GDP in 2006 and was 28.9% in 2016.

During the 2017-2020 reporting period, although the Confederation's Maastricht debt ratio temporarily edged up in 2017 as a result of a new valuation method for the Confederation bonds held on the liabilities side of the statement of financial position, it fell by 1.3 percentage points already in 2018 and will drop further in the coming years. It will be around 12.0% in 2020. The cantons and social security funds are also able to reduce their debt in absolute terms and not only in relation to GDP; their ratios will probably be 7.4% and 0.05%, respectively, in 2020. The social security funds' debt reduction is attributable primarily to the repayment of the federal unemployment insurance loan, which is likely to be repaid in full by the end of 2019. The general government sector will probably still have a Maastricht debt ratio of 25.7% in 2020.

Figure 4: Maastricht debt 1990-2020 for all sub-sectors, in CHF bn (lhs) and in % of GDP for the general government (rhs)



The **gross debt ratio** states government debt according to the IMF definition as a percentage of GDP (Table 2). The gross debt ratio is around 10 percentage points higher than the Maastricht debt ratio on average. Despite methodological differences, the two debt ratios follow a similar path.[6] The gross debt ratio was 42.7% of GDP in 2017. It is likely to plunge over the next few years and be below the 40% mark from 2019 onward. It will probably account for around 38% of GDP in 2020.

6 The gross debt ratio and Maastricht debt ratio are defined in the Appendix in section 3.2.

3. Appendix

3.1. Information on methodology

The national comparability of the accounting data of Switzerland's government units is achieved with the financial statistics using the FS Model. This is based on the Harmonized Accounting Model for the Cantons and Municipalities (HAM2)[7]. The FS Model is also used as a basis for international comparisons. This comparability is ensured in accordance with the guidelines of the International Monetary Fund (IMF) using the so-called GFS Model of financial statistics. The GFS Model is based on the IMF's Government Finance Statistics Manual 2014 (GFSM 2014), which is specifically targeted to what is needed for analyzing the government units' revenue, financial and asset situation in an economic territory (country).

The methodological reconciliation with the system of national accounts of the Federal Statistical Office (FSO) was completed with the publication of 7 September 2017.[8] The system of national accounts data for the general government has been consistent with that of the GFS Model since then. The revisions necessitated by this reconciliation were explained in detail in a technical note.[9]

In the case of the general government sector, the differences between the GFS Model of financial statistics and Switzerland's system of national accounts are limited solely to the different views chosen for presenting the results and the consolidation scope. The GFS Model presents the financial statistics from the viewpoint of fiscal analysis and policy, whereas the system of national accounts focuses on production (added value).

- Consolidation: All transactions between government units are fully consolidated with the GFS Model, whereas the system of national accounts has only partial consolidation. Production-related intermediate consumption and intermediate production between government units are not consolidated in the system of national accounts. Primarily the compensation shown in the FS Model is concerned here in Switzerland.
- The partial consolidation with the system of national accounts results in general government expenditure and general government receipts being increased by the same amount relative to the GFS Model. This has no impact on the deficit/surplus ratio, but the general government expenditure ratio turns out to be too high. The tax-to-GDP ratio is not affected, as taxes and contributions to social security funds are not consolidated.

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[10] (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

---

[7] See "Harmonized Accounting Model for the Cantons and Municipalities", HAM2, http://www.srs-cspcp.ch/en

[8] Switzerland's system of national accounts is based on the European System of National and Regional Accounts, ESA 2010 (http://ec.europa.eu/eurostat/web/esa-2010/overview). Both the ESA 2010 and the GFSM 2014 are 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).

[9] See *technical notes* at: https://www.efv.admin.ch/efv/en/home/themen/finanzstatistik/methoden.html (Adjustments to the GFS Model of financial statistics as of September 7, 2017)

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

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 administrative units), 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 administrative units in the Confederation sub-sector, for example, leads to indicators that are not directly comparable with those produced in the Confederation's financial reporting.

Table 3: Overview of financial statistics models published

	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[11] and net lending/borrowing[12] are derived from transactions and can be controlled by fiscal policy, unanticipated events[13] 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[14] 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.

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 around 1,470 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 2017 (Table 4).

For the Confederation (including separate accounts and decentralized administrative units), the 2018 figures are also based on the corresponding financial statements. The 2019 forecasts are based on the Confederation's June extrapolation and the budgets for the separate accounts and decentralized administrative units. The 2020 forecasts are based on the budget or on the financial plans as the case may be. In the case of the cantons, the forecasts are based on the currently available accounting data (2018), a survey of the cantonal budgets (2019) and various indicators (2020). The 2018-2020 forecasts for the municipalities are based on several indicators. The figures up to 2018 for the social security funds are based on their financial statements, and the 2019-2020 forecasts are based on their budget or financial plans.

---

[11] Net operating balance = revenue – expense

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

[13] 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.

[14] The term *balance sheet* is used in the GFS Model instead of the term *statement of financial position*.

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 and information on the methods are available online.[15]

Table 4: Sources for financial statistics data, September 2019

Sub-sector	Up to 2017	2018	2019	2020
General government	**Financial statements**	**Forecasts**	**Forecasts**	**Forecasts**
Confederation	Financial statements	Financial statements	Extrapolation	Budget/financial plans
Cantons	Financial statements	Data available	Budget survey	Forecasts
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 administrative units

Grayed: extrapolations and forecasts

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 also 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: Swiss Alcohol Board (SAB; up to 2017), infrastructure fund (IF) and, from 2018, motorway and urban transportation fund, which has replaced it, fund for major railway projects (FinPT) and, from 2016, railway infrastructure fund (RIF), which has replaced it. It also includes the decentralized

[15] https://www.efv.admin.ch/efv/en/home/themen/finanzstatistik/daten.html

administrative units that are more than 50% funded by the Confederation, as set out in the ESA 2010 criteria: ETH Domain, Swiss Federal Institute for Vocational Education and Training (SFIVET), Swiss Federal Institute of Metrology (METAS), Innosuisse, Swiss National Science Foundation (SNSF), Swiss National Museum, Switzerland Tourism, Pro Helvetia Arts Council, CRF foundation (up to 2017) 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. The lower part of the table shows the Confederation sub-sector's debt with the Maastricht definition, the so-called Maastricht debt. The differences between gross debt according to financial reporting, gross debt with the national FS Model and Maastricht debt are thus shown.

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

Net lending/borrowing	2014	2015	2016	2017	2018
Ordinary result financial reporting	**-124**	**2,337**	**752**	**2,621**	**2,938**
+ Extraordinary result financial reporting	213	493	478	177	90
Overall fiscal balance financial reporting		**2,831**	**1,230**	**2,798**	**3,029**
+ Balance from consolidation of separate accounts and decentralized administrative units financed primarily by tax (1)	105	-125	642	1,100	1,633
Overall fiscal balance FS Model		**2,706**	**1,872**	**3,899**	**4,661**
- Balance sheet transactions adjustment (2)	-232	-181	174	220	223
- Other economic flows adjustment (2)	-5	10	-523	22	21
+ Accrual accounting (3)	-357	-942	-906	-165	-14
+ Statistical operations (4)	824	1,661	490	3,092	2,533
- Net acquisition of non-financial assets	900	1,008	1,099	1,322	1,614
Net lending/borrowing GFS Model (5)	**-1**	**2,588**	**706**	**5,263**	**5,321**

Gross debt	2014	2015	2016	2017	2018
Gross debt in accordance with financial reporting	**108,797**	**103,805**	**98,819**	**105,242**	**99,407**
- Financial derivatives (negative replacement values)	166	203	178	125	128
+ Gross debt separate accounts/consolidation (1)	-934	-1,221	-963	-717	-665
Gross debt FS		**102,381**	**97,678**	**104,400**	**98,613**
+ Coins in circulation according to SNB	3,011	3,061	3,095	3,142	3,183
+ Outstanding invoices, advance payments received, tax liabilities, cash deposits (confiscated assets)	-8,170	-7,206	-8,080	-10,408	-10,748
Maastricht debt		**98,236**	**92,693**	**97,134**	**91,048**

(1) Separate accounts (SAB (up to 2017), IF (up to 2017), motorway and urban transportation fund, FinPT (up to 2015), RIF) and decentralized administrative units financed primarily by tax (ETH, SFIVET, METAS, Innosuisse, Swiss National Science Foundation, Swiss National Museum, Switzerland Tourism, Pro Helvetia, CRF (up to 2017), FIPOI)
(2) Not included in the balance in accordance with the GFS Model
(3) Entries without a financial impact (included in the GFS balance)
(4) Statistical operations for the purpose of adjusting to the IMF's GFSM 2014
(5) 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 Maastricht debt ratio is calculated according to the EU's definition.[16] This ensures that the indicators are internationally comparable. The indicators for the general government sector and its sub-sectors

[16] See Eurostat (2019): Manual on Government Deficit and Debt – Implementation of ESA 2010, Part VIII, Luxembourg, http://ec.europa.eu/eurostat/web/products-manuals-and-guidelines/-/KS-GQ-16-001

(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 nominal GDP 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 may be an indication of a debt-financed budget. In Switzerland, however, the difference is mainly due to other revenue (e.g. fees or charges), which are not included in the tax-to-GDP ratio.

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 nominal 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 nominal 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 Maastricht debt ratio shows the relationship between the consolidated debt of the general government sector and nominal GDP. The debt used for calculating this indicator includes the following financial instruments on the liabilities side of the balance sheet using the GFS Model: currency and deposits, debt instruments and loans. However, in accordance with the Maastricht definition, these are valued at face value instead of fair value. The definition of the financial instruments taken into account is somewhat narrower than the definition of gross debt in the current Harmonized Accounting Model for the Cantons and Municipalities (HAM2). Some current liabilities under the FS Model[17] which are part of gross debt in accordance with the HAM2 are allocated to other accounts payable under the GFS Model, which are not part of Maastricht debt.

[17] E.g. current liabilities on trade accounts payable or advance payments received

Gross debt ratio: The gross debt ratio states general government debt according to the IMF definition as a percentage of nominal GDP. With the exception of financial derivatives, it includes all liabilities on the liabilities side of the balance sheet and is 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[18], which contains a list of added and eliminated entities.

---

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