Schweizerische Eidgenossenschaft
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Swiss Confederation

Federal Department of Finance FDF

Federal Finance Administration FFA

Brief report on financial statistics

Date: 05.03.2020

Public finance trends: initial results for 2018 and 2019-2020 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). Provisional 2018 financial statistics data for the Confederation, cantons and social security funds are published in it, as well as extrapolations for the municipalities. The report also provides forecasts for all government sub-sectors for the years 2019 to 2020.[1]

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. 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.[2]

1 Forecasts for the 2021-2023 legislature financial plan are also published. These years are not commented on in this report.

2 https://www.efv.admin.ch/efv/en/home/themen/finanzstatistik/uebersicht-staatsfinanzen.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 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.

Table 1: 2014-2020 accounts, in CHF mn

		2014	2015	2016	2017	2018	2019	2020
General government	Receipts	206,524	214,493	215,636	221,820	227,297	231,767	237,253
	Expenditure	207,428	213,045	212,894	216,175	218,720	223,671	228,783
	Overall fiscal balance	*-904*	*1,448*	*2,742*	*5,644*	*8,577*	*8,097*	*8,470*
	Ordinary fiscal balance	**696**	**4,321**	**2,950**	**5,425**	**8,652**	**7,619**	**8,586**
Confederation (1)	Receipts	64,944	69,251	69,367	72,777	74,452	75,440	76,139
	Expenditure	64,749	66,545	67,495	68,878	69,591	71,460	74,990
	Overall fiscal balance	*194*	*2,706*	*1,872*	*3,899*	*4,861*	*3,980*	*1,149*
	Ordinary fiscal balance	**-18**	**2,212**	**1,394**	**3,721**	**4,771**	**3,440**	**1,149**
Cantons	Receipts	82,782	86,045	87,274	89,335	91,854	94,016	97,972
	Expenditure	85,157	88,534	86,736	88,154	89,495	91,429	94,447
	Overall fiscal balance	*-2,375*	*-2,489*	*539*	*1,182*	*2,359*	*2,587*	*3,526*
	Ordinary fiscal balance	**-651**	**766**	**1,119**	**1,169**	**2,535**	**2,651**	**3,641**
Municipalities	Receipts	45,444	46,809	47,358	48,426	49,685	50,665	51,631
	Expenditure	46,324	47,254	47,736	48,750	49,097	49,970	50,966
	Overall fiscal balance	*-880*	*-445*	*-378*	*-324*	*587*	*695*	*665*
	Ordinary fiscal balance	**-791**	**-332**	**-273**	**-354**	**577**	**695**	**665**
Social security funds	Receipts	61,958	62,281	62,670	63,495	63,569	64,769	67,701
	Expenditure	59,802	60,605	61,960	62,607	62,800	63,935	64,570
	Overall fiscal balance	*2,156*	*1,676*	*710*	*888*	*769*	*834*	*3,131*
	Ordinary fiscal balance	**2,156**	**1,676**	**710**	**888**	**769**	**834**	**3,131**

[1] Including separate accounts and decentralized administrative units
Grayed: extrapolations and forecasts

The favorable trend of recent years continued in 2018 also, with the general government's **ordinary fiscal balance** amounting to 8.7 billion. This good result was attributable above all to the substantial surplus of the Confederation (4.8 bn, including separate accounts and decentralized administrative units) and of the cantons (2.5 bn). First, the Confederation benefited from additional receipts from direct taxes, natural persons and legal entities,[3] and second, the Confederation and the cantons received a supplementary distribution of 1 billion (previous year: 0.7 bn) as a result of the good business performance of the Swiss National Bank (SNB) in 2017. A third of the SNB's total distribution of 2 billion went to the Confederation and two thirds to the cantons. The Confederation's ordinary expenditure was up by 1% on the previous year. While operating expenditure (personnel, operating and transfer expenditure) and financial expenditure both fell, investment expenditure surged. Investment contributions experienced the strongest growth, due to the grid supplement fund, the railway infrastructure fund and the motorway and urban transportation fund.

In the case of the cantons, the year-on-year increase of around 1.4 billion in the ordinary fiscal balance was attributable to a sharper rise in receipts (+2.8%) than in expenditure (+1.3%). The

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

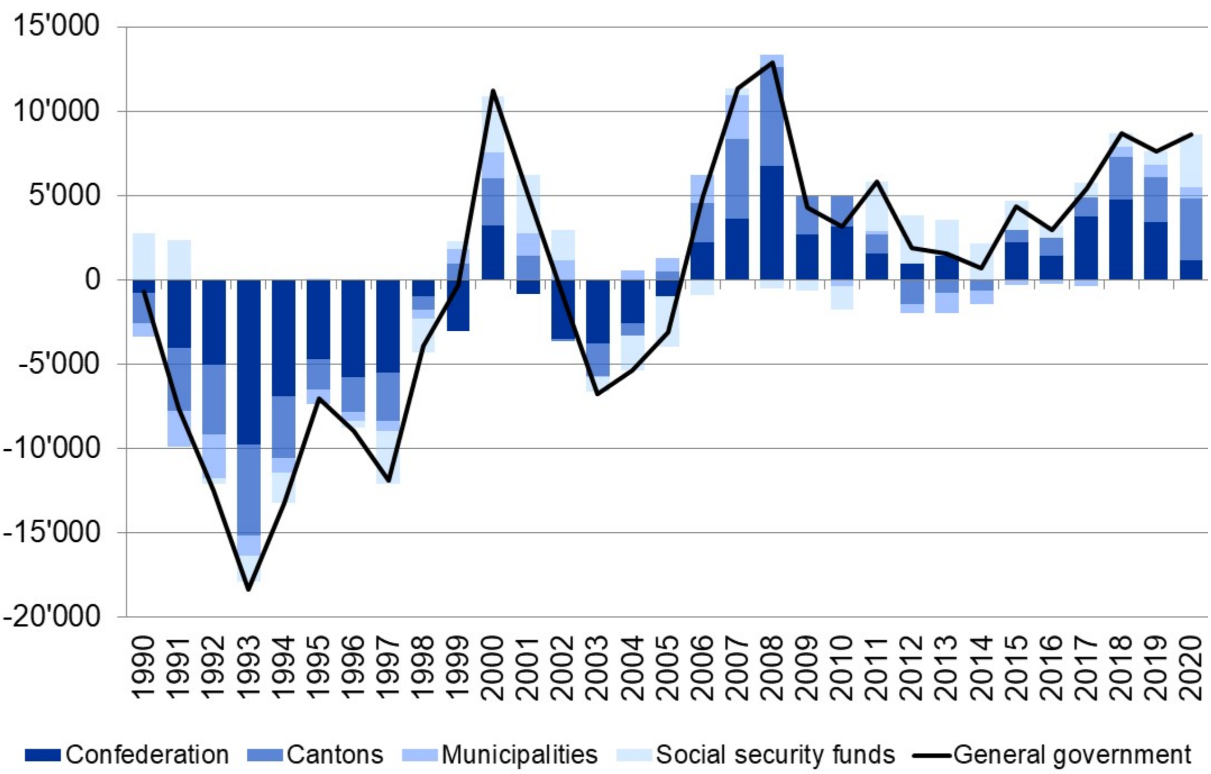
cantons benefited not only from the greater profit distribution from the SNB, but also from higher tax receipts and more substantial federal receipts from direct federal tax.

According to the available figures, the municipalities sub-sector is also likely to post a positive overall fiscal balance (0.6 bn) in 2018, after several years of deficits. The social security funds posted a surplus in the ordinary budget for the eighth consecutive time in 2018. Thanks to the low unemployment rate, unemployment insurance fund payouts were lower in 2018, which had a positive impact on the ordinary fiscal balance of the ALV (1.2 bn) and the social security funds sub-sector (0.8 bn).

Current forecasts for 2019 and 2020 are reckoning on high ordinary fiscal balances for the general government (7.6 bn and 8.6 bn, respectively). The bulk of the ordinary surplus will be generated mainly by the Confederation and the cantons in 2019, and primarily by the cantons and the social security funds in 2020. The surplus of around 3.4 billion in the Confederation's ordinary budget for 2019 is due essentially to additional receipts from direct federal tax and withholding tax. The overall fiscal balance in the ordinary budget is likely to deteriorate noticeably the following year, in the wake of rising transfer expenditure in connection with the tax reform and AHV financing (TRAF), but it will remain in positive territory (around 1.1 bn).

The cantons' ordinary fiscal balance should likewise be clearly positive in 2019 (2.7 bn) and 2020 (3.6 bn). The cantons will benefit from a significant increase in tax revenue in 2019. Although the first adverse effects of the cantonal tax reforms are likely to be felt the following year, these will probably be more than offset by the higher cantonal share of direct federal tax and the bigger SNB distribution. The municipalities are expected to achieve an ordinary surplus of 0.7 billion in both 2019 and 2020. The social security funds' ordinary surplus of 3.1 billion in 2020 is mainly the result of additional receipts from the tax reform and AHV financing (TRAF).

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



The general government sector should once again have a clearly positive **overall fiscal balance** (8.6 bn) in 2018. The extraordinary receipts (222 mn) of the Confederation, cantons and municipalities consist mainly of repayments (including interest) of unduly received subsidies by PostAuto AG (around 160 mn). In the case of the cantons, these receipts stand against extraordinary expenditure of 260 million, largely to fund public-sector pension funds, particularly in the cantons of St. Gallen and Valais.

A financing surplus of 8.1 billion is assumed for the general government in 2019. Extraordinary receipts of 541 million are expected for the Confederation sub-sector, generated mainly by the auction of mobile radio frequencies[4] (376 mn) and fines imposed by the Competition Commission on various banks (139 mn). As there is no extraordinary expenditure, the Confederation sub-sector is likely to post a surplus of around 4 billion once again. No extraordinary receipts or expenditure is foreseen for the social security funds and municipalities. According to current information, the cantons may incur around 63 million in extraordinary expenditure for restructuring public-sector pension funds (mainly in the canton of Valais).

The general government sector is likewise expected to post a significant surplus in the 2020 financing statement. The result of 8.5 billion will be reduced solely by extraordinary transactions in the cantons sub-sector (pension fund restructuring of around 115 mn, mainly in the canton of Geneva).

[4] Federal Communications Commission (2019): Mobile radio frequencies for 5G awarded in Switzerland. Press release of 08.02.2019, Bern.

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 3.0% in 2018 and 1.3% in 2019. This should be taken into account when interpreting the financial statistics indicators' trend. The GDP trend for 2020 is based on the official economic forecasts of the federal government's group of experts, published on December 12, 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**	**1.5**	**1.3**
	Confederation	0.0	0.4	0.1	0.8	0.8	0.8	0.2
	Cantons	-0.3	0.1	0.1	0.3	0.4	0.5	0.6
	Municipalities	-0.2	-0.1	0.0	0.0	0.1	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**	**28.6**	**28.3**
	Confederation	9.4	9.9	9.7	10.4	10.1	10.3	10.0
	Cantons	6.7	6.8	6.9	7.0	7.0	7.1	7.1
	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	6.7	6.8
Expenditure ratio	**General government**	**32.7**	**32.8**	**32.9**	**32.9**	**32.4**	**32.7**	**32.9**
	Confederation	10.4	10.6	10.7	10.7	10.4	10.5	10.9
	Cantons	13.5	13.6	13.5	13.5	13.4	13.6	13.8
	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	9.1	9.0
Debt ratio (Maastricht)	**General government**	**30.6**	**30.0**	**28.9**	**29.3**	**27.5**	**26.9**	**26.0**
	Confederation	15.8	15.0	14.0	14.5	13.2	12.7	12.4
	Cantons	8.3	8.4	8.4	8.2	7.9	7.7	7.4
	Municipalities	6.7	6.8	6.7	6.8	6.6	6.6	6.4
	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**	**41.0**	**41.0**	**39.7**
	Confederation	21.0	20.9	19.8	20.8	19.3	19.6	19.1
	Cantons	12.1	12.2	12.5	12.3	12.3	12.0	11.4
	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. This ensures that the indicators (Appendix 3.2) 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 sector's 2018 **surplus ratio** should be 1.4% of nominal GDP, i.e. 0.2 percentage points higher than the previous year. This is the best result since 2008 (Figure 2). While the surplus ratios of the Confederation and social security funds are unchanged year

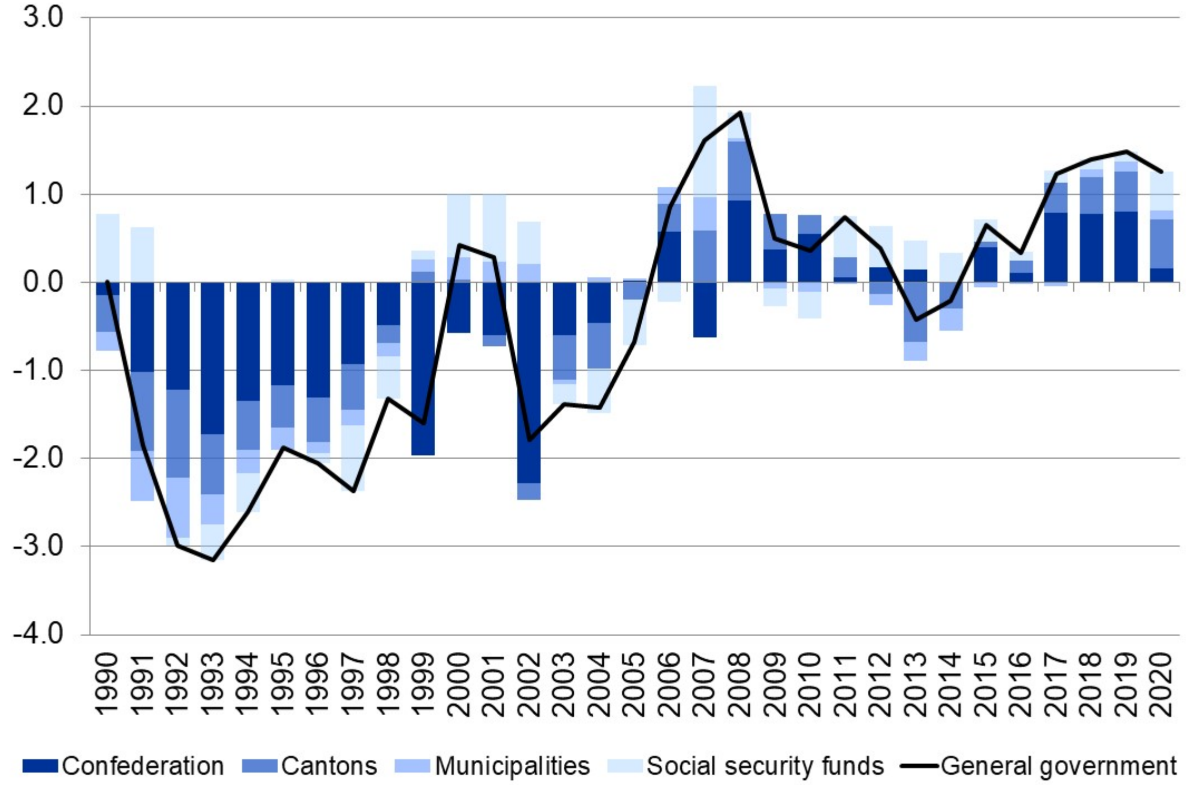
[5] State Secretariat for Economic Affairs (2019): Economy not expected to brighten until 2021. Press release of 12.12.2019, Bern.

on year, those of the cantons and municipalities are up by 0.1 percentage points each. Thanks to the good economic performance in 2018, both the Confederation and the cantons benefited from high tax revenue and achieved large surpluses. The Confederation's surplus ratio is 0.8% of GDP, and that of the cantons 0.4%. It is also worth noting that the municipalities should be back in the black for the first time after nine years of deficits.

The general government's surplus is likely to remain high at 1.5% in 2019. Thanks to the persistently high receipts from withholding tax and direct federal tax, the Confederation is set to achieve a similar result to the previous year, at 0.8%. According to initial estimates, the cantons will also see a significant increase in tax revenue. Their surplus could be high too at 0.5%. The municipalities and social security funds are also likely to end the year with a positive result of 0.1% each.

Similarly, surpluses are expected in all sub-sectors in 2020. While the Confederation's balance is set to deteriorate noticeably because of rising transfer expenditure in connection with the tax reform and AHV financing (TRAF), the cantons and social security funds are likely to achieve better results than the previous year. The social security funds will benefit from higher receipts from wage contributions and transfers in connection with the TRAF. Although the cantons are likely to feel the first adverse effects of the cantonal tax reforms, these will probably be more than offset by the higher cantonal share of direct federal tax and the bigger SNB distribution. The municipalities are likewise expected to have a positive overall fiscal balance. The greatest short-term risk for public finances is that economic growth could deteriorate, particularly as a result of international developments (e.g. trade conflicts, pandemic) and the appreciation of the Swiss franc. Moreover, there is uncertainty regarding the effects of the cantonal tax reforms. However, this risk factor could have both a positive and negative impact on public finances.

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



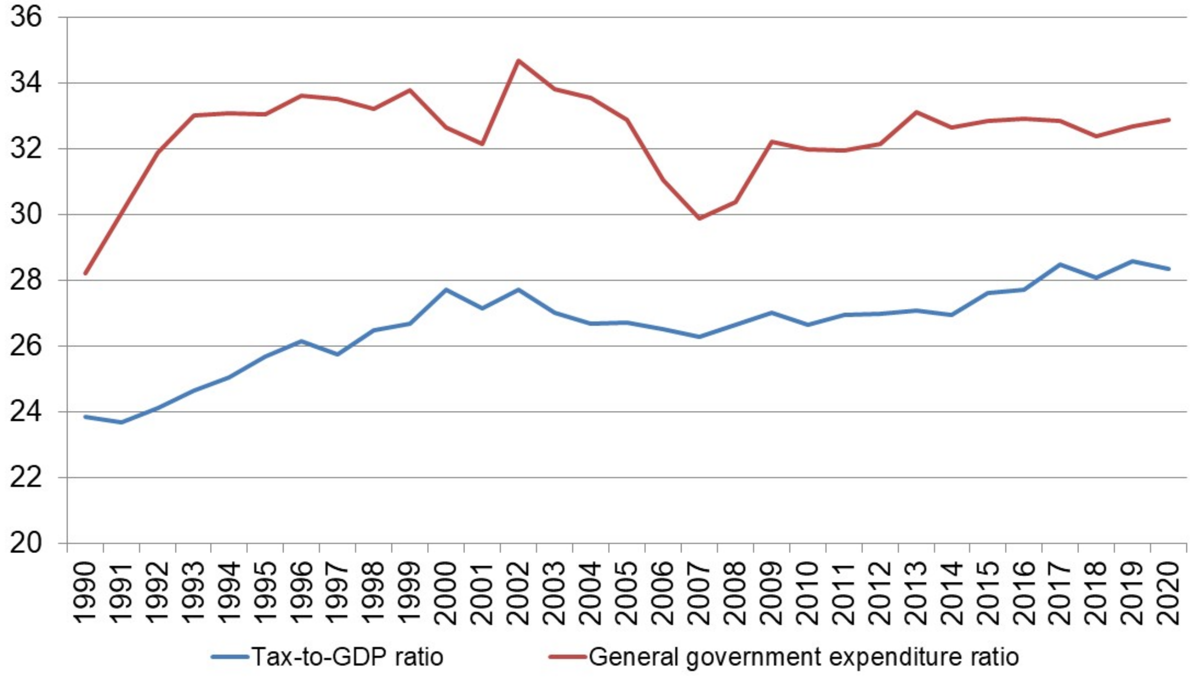
In 2018, the **tax-to-GDP ratio**, which measures the general government's total tax receipts (tax and social insurance charges) in relation to GDP, is set to fall by 0.4 percentage points from its 2017 peak of 28.5%, with only the cantons' and municipalities' tax revenue keeping pace with the relatively robust GDP growth of +3.0%. The tax revenue of the social security funds (+1.9%) and the Confederation is comparatively lower, with the Confederation's tax-to-

GDP ratio falling by 0.3 percentage points from its 2017 peak of 10.4%, and that of the social security funds edging down by 0.1 percentage points to 6.6%.

In 2019, the tax revenue of both the Confederation and the general government is likely to rise largely because of higher withholding tax revenue (mainly incoming payments from dividends), leading to a higher tax-to-GDP ratio with GDP growth of +1.3%. Consequently, the 2019 tax-to-GDP ratios of the sub-sectors and the general government sector will differ only marginally from those seen in 2017.

In 2020, particularly the social security funds' tax-to-GDP ratio is likely to climb by 0.1 percentage points to 6.8%, due to higher receipts from wage contributions in connection with the TRAF. The tax ratios of the cantons (7.1%) and municipalities (4.4%) are likely to remain virtually unchanged year on year. The general government's tax-to-GDP ratio is likely to fall to 28.3% because of the drop in the Confederation's tax revenue.

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.

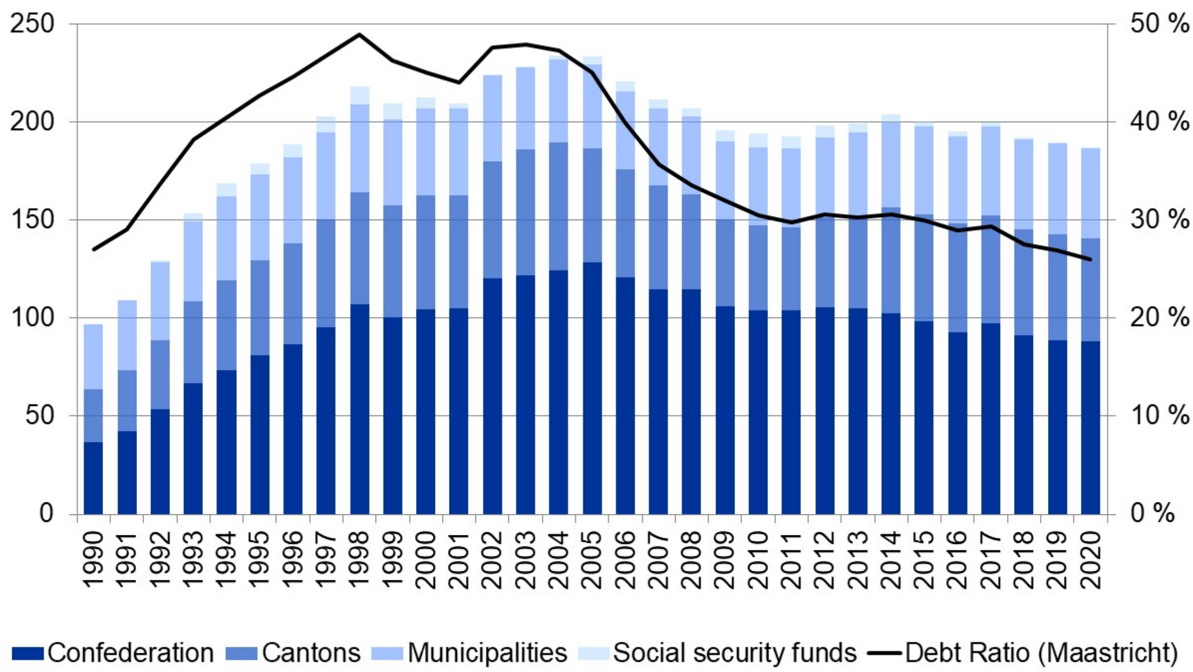
The general government expenditure ratio is set to be 32.4% in 2018, which is 0.5 percentage points lower than the previous year because of expenditure growth (+1.5%) being significantly weaker than GDP growth (+3.0%). The expenditure ratios of the municipalities and social security funds will remain stable in 2019 and 2020, while those of the Confederation and the cantons are likely to rise. As a result, the general government expenditure ratio is likely to rise again in 2020 and reach 32.9% of GDP.

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.

Thanks to the positive results for the year and the high cash holding, the Confederation reduced gross debt by around 6 billion to 91 billion in 2018, which lowered the Maastricht debt ratio by 1.3 percentage points. The other sub-sectors also posted lower Maastricht debt in relation to GDP. At the end of 2018, the general government's debt ratio is set to be 27.5% of nominal GDP, representing a year-on-year decrease of 1.8 percentage points overall.

In 2019, the Maastricht debt ratios can be expected to decline further in view of the surpluses anticipated in all sub-sectors. While the debt burden of the municipalities is set to increase slightly, the Confederation, the cantons and the social security funds will be able to reduce their debt in nominal terms. The debt reduction is made possible by the positive fiscal balances. The social security funds' debt reduction is attributable primarily to the repayment of the federal unemployment insurance loan. The Maastricht debt ratio is expected to be around 26% of GDP at the end of 2020, representing a year-on-year decline of 0.9 percentage points.

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]

Based on the data available, the gross debt ratio will be 41.0% of GDP at the end of 2018, meaning a continuation of the downward trend seen since its 2002 peak of 59.1%. The gross debt ratio is likely to fall below the 40% mark in 2020, and will probably reach 39.7% by the end of the year.

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

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[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 1,740 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. Up to 2018, the financial statistics figures for the Confederation, the cantons and the social security funds are based on the respective financial statements. The data for the municipalities is based on an extrapolation using the accounting data available to date (Table 4).

The 2019 forecasts are based on the federal financial statements and on the provisional financial statements 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 a survey of the cantonal financial statements (2019) and the cantonal budgets (2020). The forecasts for the municipalities are based on several indicators (2019-2020). The 2019 figures for the social security funds are based on the monthly figures already available and the 2020 forecasts on their budget or financial plan figures.

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[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, March 2020

Sub-sector	Up to 2017	2018	2019	2020
General government	**Financial statements**	**Forecasts**	**Forecasts**	**Forecasts**
Confederation	Financial statements	Financial statements	Provisional financial statements	Budget/financial plans
Cantons	Financial statements	Financial statements	Financial statements survey	Budget survey
Municipalities	Financial statements	Available data	Forecasts	Forecasts
Social security funds	Financial statements	Financial statements	Provisional financial statements	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 thus 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.

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 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

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

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**	**3,138**
+ Extraordinary result financial reporting	213	493	478	177	90
Overall fiscal balance financial reporting	**89**	**2,831**	**1,230**	**2,798**	**3,229**
+ 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	**194**	**2,706**	**1,872**	**3,899**	**4,861**
- 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	26
+ Statistical operations (4)	824	1,661	490	3,092	2'225
- Net acquisition of non-financial assets	900	1,008	1,099	1,322	1'507
Net lending/borrowing GFS Model (5)	**-1**	**2,588**	**706**	**5,263**	**5,361**

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	**107,696**	**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	**102,537**	**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

[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

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 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