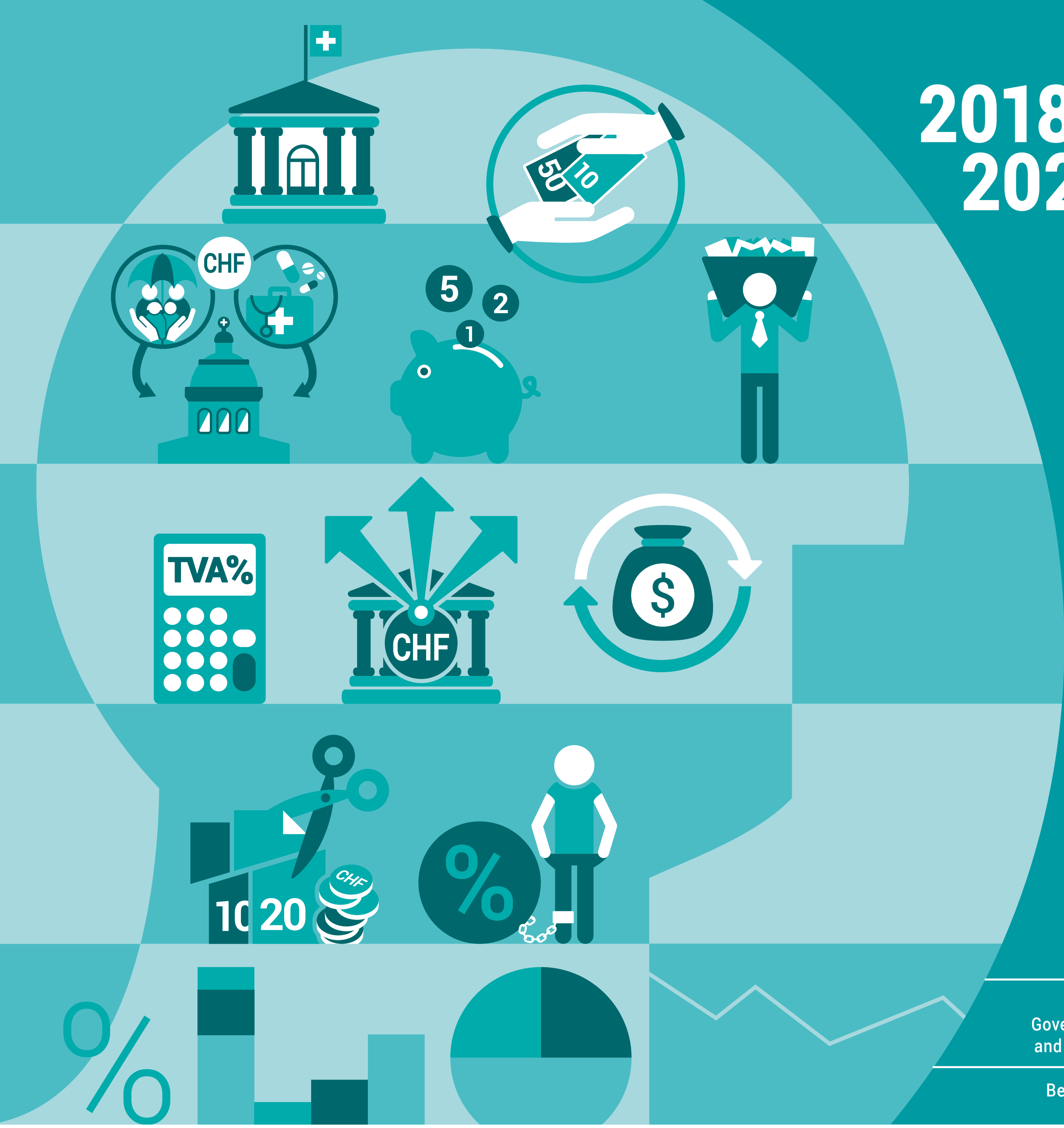

2018–
2021

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General
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Bern 2020

Swiss public finances: 2018–2021

Main publication of the financial statistics

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Contents

1 Brief summary

Fiscal year 2020 – Switzerland's public finances have been performing particularly well since 2014, achieving comfortable surpluses. Had it not been for the crisis linked to the COVID-19 pandemic, the positive public finance trend would probably have continued in 2020, with a surplus of around 8.5 billion in the financing statement according to estimates made at the beginning of March 2020. At that time, the COVID-19 pandemic had already been identified as the main downside risk for public finances in the short term. Unfortunately, that risk has largely materialized, with the result that Switzerland's public finances are expected to post a massive deficit of 24.6 billion (see Figure 1). The record weakening of the Swiss economy is likely to have a severe adverse effect on tax receipts at all levels of government. Moreover, in view of the exceptional situation related to the pandemic, the federal authorities have also adopted extraordinary measures amounting to approximately 17.8 billion, around 12.2 billion of which in the form of unemployment insurance contributions. Unemployment is set to rise substantially and cause a sharp increase in the social security funds' expenditure, which will thereby play their role as automatic stabilizers of the economy. Although a significant proportion of these measures should be financed from liquidity reserves, the large deficit looming for the government units in 2020 will nevertheless lead to a surge in the general government sector's debt (see Figure 7).

Fiscal year 2021 – The Swiss economy's recovery in 2021 is set to be moderate, with the result that GDP is unlikely to return fully to pre-crisis levels. Nevertheless, this should allow tax receipts to grow. Most of the extraordinary measures will probably not be extended into next year, so the general government sector's expenditure should decline. However, the social security funds' expenditure is likely to remain much higher than its pre-crisis level because of the rise in unemployment. Consequently, the general government sector is expected to post a deficit of 8.3 billion in 2021 and to continue to increase its debt with respect to other sectors of the economy.

Risks – The resurgence of the COVID-19 pandemic in Switzerland and its main trading partners is the main downside risk for Switzerland's public finances in the short term. The amount of withholding tax revenue is also fraught with uncertainty. The Covid-19 crisis could slow the strong revenue growth observed in recent years. In contrast, some available indicators suggest that the economic recovery could be faster than expected. If this scenario arises, Switzerland's public finances could develop more favorably than anticipated.

2 Introduction

This document, entitled "Swiss public finances", is the new and most important publication of the Financial Statistics Section of the Federal Finance Administration. It is intended to replace both the annual report, usually published in October each year, and the brief report usually published at the start of September. The new features of this publication are as follows:

- This publication contains far fewer tables than the annual report. As it happens, a growing number of tables that were presented in the annual report are also available on the FFA website. This document thus favors a visual presentation of the data using charts. In order for readers to be able to find the data tables used to generate the charts, it is also possible to click on a chart to download the data in Excel format. The charts and data in this report may be reused for non-commercial purposes provided the source (Federal Finance Administration) is explicitly mentioned.
- Unlike the annual report, this publication will no longer be produced in hard copy and will be available solely in electronic format. However, the contribution of the Financial Statistics Section to the Statistical Yearbook of Switzerland will continue to be printed.
- Compared with the brief report, this publication presents the trend and structure of receipts and expenditure by economic classification, the structure and trend of expenditure by function, and the structure and trend of the statement of financial position. It additionally provides an international comparison of the main public finance indicators.
- For the sake of brevity, this report deals primarily with the finances of the general government sector as a whole. Nevertheless, the main developments at the level of the sub-sectors (Confederation, cantons, municipalities and social security funds) will be presented in certain charts and discussed in the text.

This first edition of "Swiss public finances" presents the definitive 2018 figures for the government finance statistics according to national and international statistics standards. It also contains initial provisional results for 2019, as well as estimates and forecasts for the main financial aggregates for 2020 and 2021. Forecasts up to 2024 can be found for some aggregates on the FFA website.

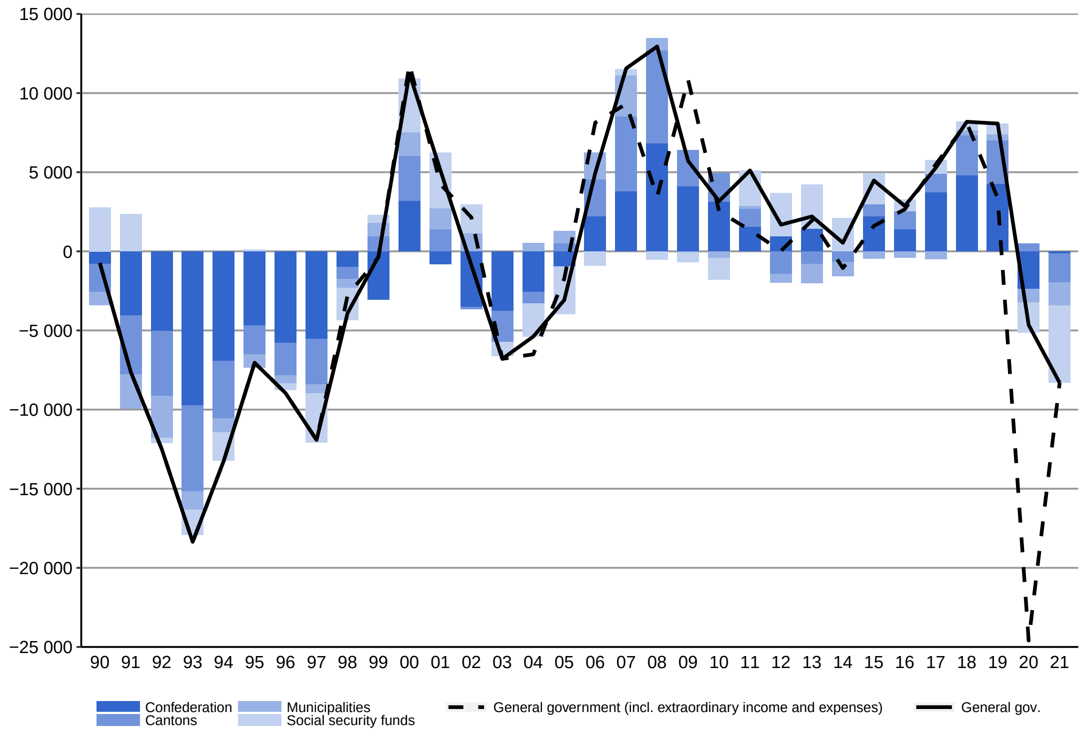
3 Swiss public finances according to the national guidelines (FS Model)

For the national financial statistics, the 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. section 3 presents the main financial aggregates (balance, receipts, expenditure, statement of financial position and debt) for the general government sector according to the national guidelines.

3.1 Fiscal balance, receipts and expenditure

Fiscal balance – Figure 1 shows the trend of the government units' fiscal balance for the period from 1990 to 2021. The black curve and the blue bars show the ordinary fiscal balance, i.e. the difference between ordinary receipts and ordinary expenditure, for the general government sector and the sub-sectors (Confederation, cantons, municipalities and social security funds). The black dashed line shows the overall fiscal balance, which also includes extraordinary receipts and expenditure. The overall fiscal balance thus measures the overall result of the government units' financing statement. Since 2014, both the ordinary fiscal balance and the balance including extraordinary receipts and expenditure have tended to improve. The government units (incl. extraordinary items) ended 2018 with a surplus of 8.1 billion. According to the provisional financial statistics figures, the government units should end 2019 with a surplus of 3.4 billion in the financing statement. Excluding the one-time contribution of 5 billion to recapitalize the State of Geneva pension fund (CPEG), the government units would have ended 2019 with a comfortable surplus of more than 8 billion.

Figure 1: Overall fiscal balance (CHF mn)

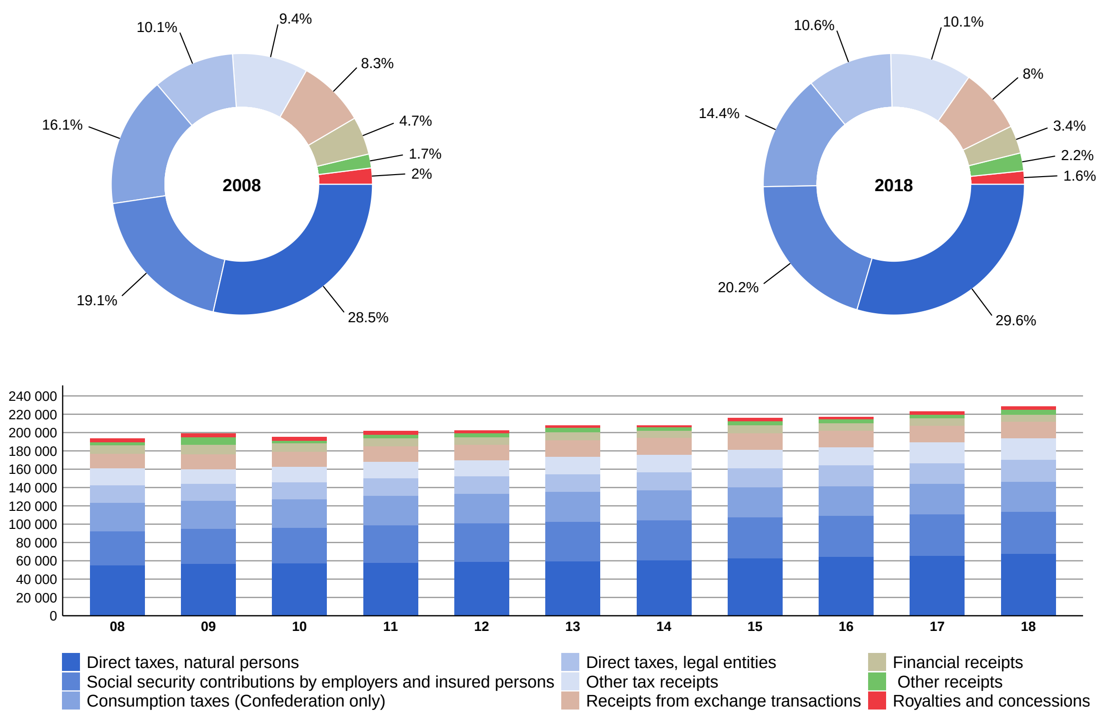


Fiscal year 2020 – Had it not been for the health and economic crisis linked to the COVID-19 pandemic, the positive public finance trend would probably have continued, with a surplus of around 8.5 billion in the financing statement according to estimates made at the beginning of March 2020. At that time, the COVID-19 pandemic had already been identified as the main downside risk for public finances in the short term. Unfortunately, this risk has largely materialized, with the result that Swiss public finances will this year have to overcome the worst economic crisis in decades and a record deficit of 24.6 billion is expected. The ordinary deficit is set to be 4.7 billion. According to the latest official forecast of the federal government's "economic forecasts" expert group, a nominal GDP decline of 6.7 % in 2020 is expected. This forecast is based on the assumption that Switzerland will not be hit by a second major wave of the COVID-19 pandemic. This record weakening of the Swiss economy is set to have a severe adverse effect on tax receipts at all levels of government. Receipts from direct taxes at federal, cantonal and municipal level, as well as value added tax receipts are expected to plunge year on year. The substantial rise in unemployment will trigger a sharp increase in the social security funds' expenditure (+16.5 bn), which will thereby play their role as automatic stabilizers of the economy. In view of the exceptional situation related to the pandemic, the federal authorities have taken extraordinary measures that are expected to place a burden of approximately 17.8 billion on the Confederation's 2020 financial statements. The main measures concern the federal contribution to unemployment insurance (12.2 bn) to finance the extension and simplification of the procedures to enable companies to make use of short-time working, compensation for loss of earnings (2.3 bn), medical supplies (1 bn) and support for various economic sectors such as aviation, culture, sport, etc. (2 bn). Although a significant proportion of these measures should be financed from liquidity reserves, the large deficit looming for the government units in 2020 will nevertheless lead to a surge in the general government sector's debt (see Figure 7).

Fiscal year 2021 – The government units are expected to end 2021 with a negative ordinary fiscal balance of 8.3 billion. As no significant expenditure or receipts of an extraordinary nature that could impact fiscal 2021 have yet been identified, the overall fiscal balance and the ordinary balance are set to have a virtually identical deficit. The combined effect of the automatic stabilizers (taxes and social security funds) and the substantial additional resources made available by the authorities to the various economic sectors in 2020 should enable economic players to emerge from the crisis in relatively good shape and thus generate certain catch-up effects in 2021. Those effects should lead to a GDP growth of 5.5%, but they will not enable GDP to return entirely to its pre-crisis level. Nevertheless, this economic performance should enable the general government's tax receipts to grow again in 2021. Particularly federal taxes, which are extremely sensitive to cyclical fluctuations, are expected to increase substantially in 2021. Given that most of the extraordinary crisis-related measures are unlikely to be extended into 2021, expenditure in the general government sector is expected to plunge (-11 bn). However, expenditure in the social security funds sub-sector is set to be around 8 billion above the pre-crisis level as a result of unemployment rising further in 2021. The social security funds are thus expected to end fiscal 2021 with a deficit of nearly 5 billion, i.e. more than half of the general government's consolidated deficit. The general government sector's nominal debt is expected to continue to increase in 2021 (see Figure 7).

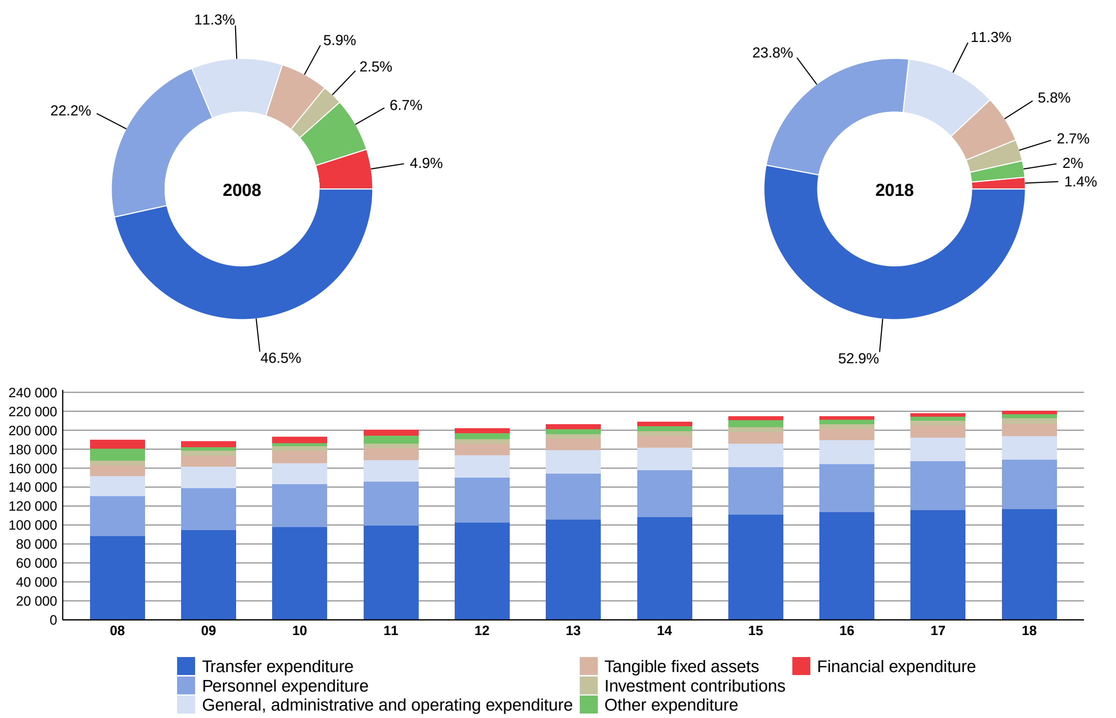
Risks – The resurgence of the COVID-19 pandemic in Switzerland and its main trading partners is the main downside risk for Switzerland's public finances in the short term. The amount of withholding tax revenue is also fraught with uncertainty. The Covid-19 crisis could slow the strong revenue growth observed in recent years. In contrast, some available indicators suggest that the economic recovery could be faster than expected. Should this trend be confirmed the GDP reduction in 2020 might be lower than predicted by the "economic forecasts" expert group in June (-6.7 %). The annual average unemployment rate might also be lower than anticipated in June. This could lead to a more positive development of Switzerland's public finances than currently assumed.

Figure 2: Receipts by economic classification (in CHF mn and % of total)



Receipts by economic classification – The definitive figures for the 2018 financial statistics shed some light on the structure of the general government sector's receipts and expenditure. Figure 2 shows the trend and structure of the general government sector's receipts according to the economic classification set out in the Harmonized Accounting Model for the Cantons and Municipalities (HAM2). The general government's receipts have grown by 35 billion, or 18.3%, since 2008. As illustrated in Figure 2, the financing structure of the general government sector remained very stable from 2008 to 2018. Accounting for around 85% of total receipts in 2018, taxes are the main source of government financing. More than 190 billion of the total receipts of 228.6 billion came from various types of tax. Coming in at 67.6 billion in 2018, or almost 30% of the total, receipts from direct taxes of natural persons are the main category of receipts in the general government sector. Social security contributions by employers and insured persons are in second place, with receipts of 46 billion, or 20.2% of the total. These two categories account for almost half of the general government sector's receipts.

Figure 3: Expenditure by economic classification (in CHF mn and % of total)



Expenditure by economic classification – The structure of expenditure by economic classification appears to be more volatile than that of receipts, as shown in Figure 3. For example, the proportion of transfer expenditure rose from 46.5% of the total in 2008 to 52.9% in 2018, i.e. an increase of 28.3 billion over a 10-year period. Conversely, the proportion of financial expenditure fell from 4.9% of the total in 2008 to 1.4% in 2018, which corresponds to a drop of approximately 6 billion over a 10-year period. It was attributable to the steady decline in interest rates from 2008 onward, combined with the reduction in public debt over the same period. Finally, the proportion of expenditure on both personnel and goods and services remained very stable from 2008 onward, as shown in Figure 3. These figures tend to demonstrate that some of the resources freed up by the decline in financial expenditure and other categories of general government expenditure were essentially redistributed to other sectors of the economy (businesses, households) via transfer expenditure. Although the Financial Statistics Section does not have definitive figures for expenditure by economic classification for 2019 to 2021, the data and information available suggest that transfers as a percentage of total general government expenditure should continue to increase. In particular, the measures taken in connection with the COVID-19 pandemic consist mainly of transfer expenditure for businesses, salaried workers and self-employed persons affected by the crisis.

Figure 4: Expenditure by function (in CHF mn and % of total)

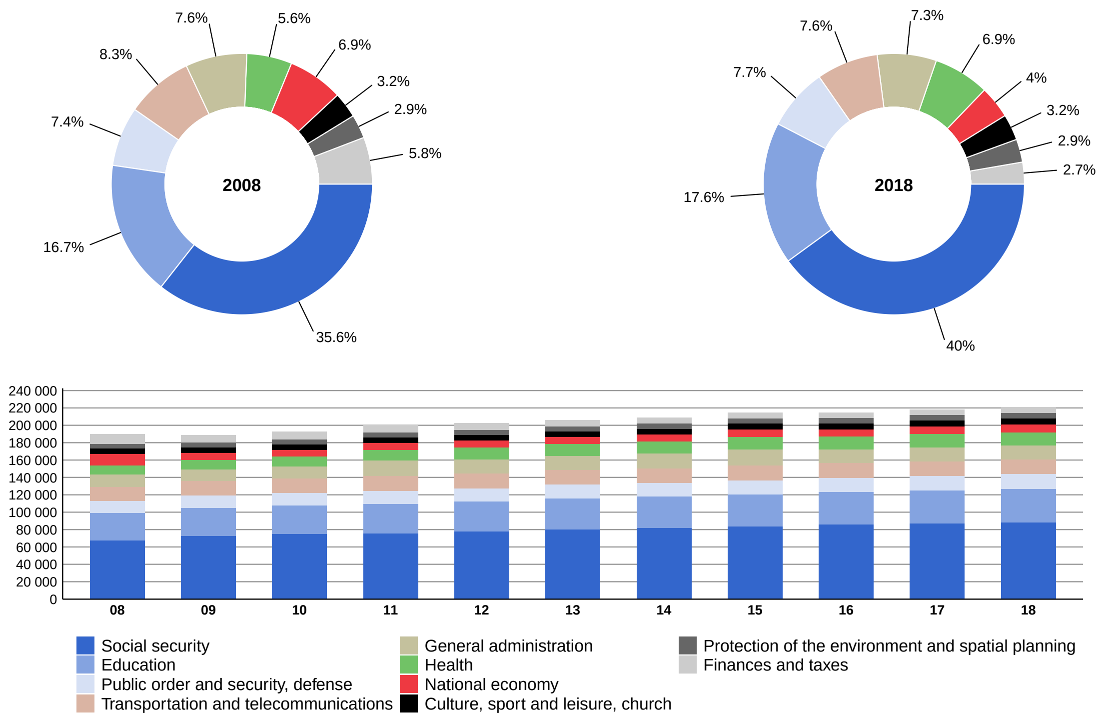


Figure 4 shows the trend and structure of the general government sector's expenditure by function according to the Harmonized Accounting Model for the Cantons and Municipalities (HAM2). Total expenditure amounted to 220 billion in 2018, i.e. an increase of 30.6 billion relative to 2008 (+16%). The general government sector's social security expenditure amounted to 88.2 billion in 2018 and accounted for 40% of total expenditure. Social security expenditure grew by 20.6 billion between 2008 and 2018. This increase was largely due to the rise in expenditure on transfers to households for old-age and survivors' insurance, which was up by 10.4 billion relative to 2008. Expenditure in the area of social welfare and asylum affairs has also increased by 3.3 billion since 2008. Expenditure on transfers to households in the areas of unemployment, disability, sickness and accidents rose by 5 billion during the same period.

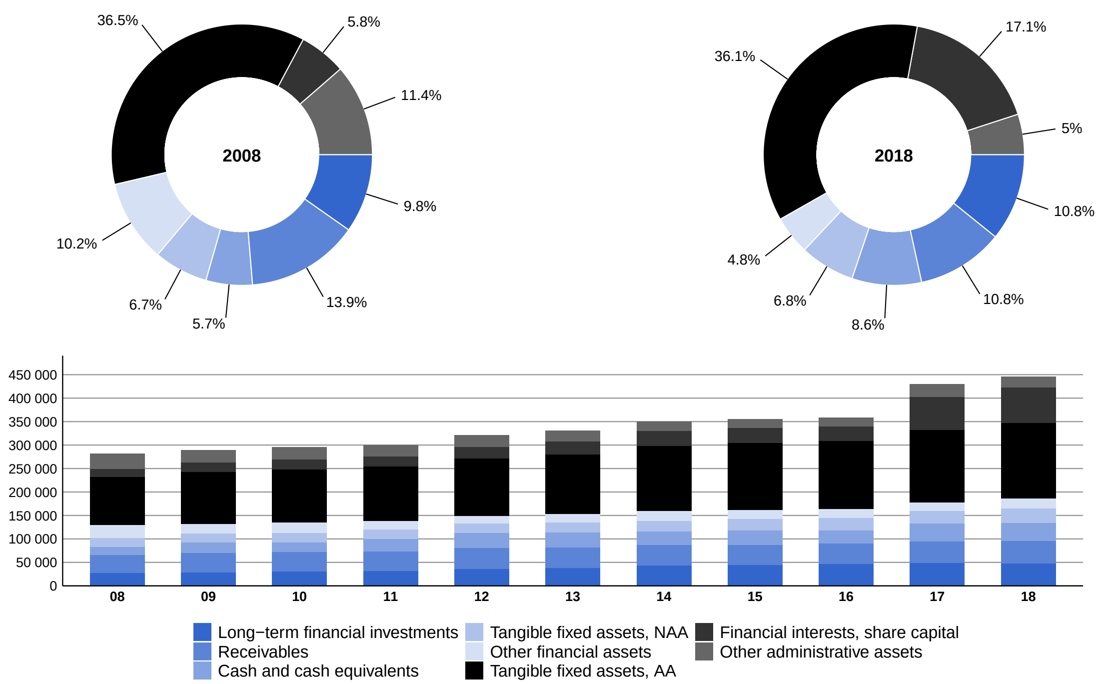
Education is the second-largest expenditure item according to the functional classification. In 2018, the general government spent 38.9 billion on education, which accounted for 17.6% of total expenditure. Education expenditure grew by 7.2 billion between 2008 and 2018. Obligatory schooling (+2.7 bn), tertiary-level institutions (+2.1 bn) and research (+1.6 bn) experienced the biggest increases.

Social security and education thus account for more than 50% of the general government sector's expenditure. Due to the health and economic crisis, it seems reasonable to believe that the proportion of social security relative to total expenditure will continue to rise through to 2021.

3.2 Statement of financial position and debt

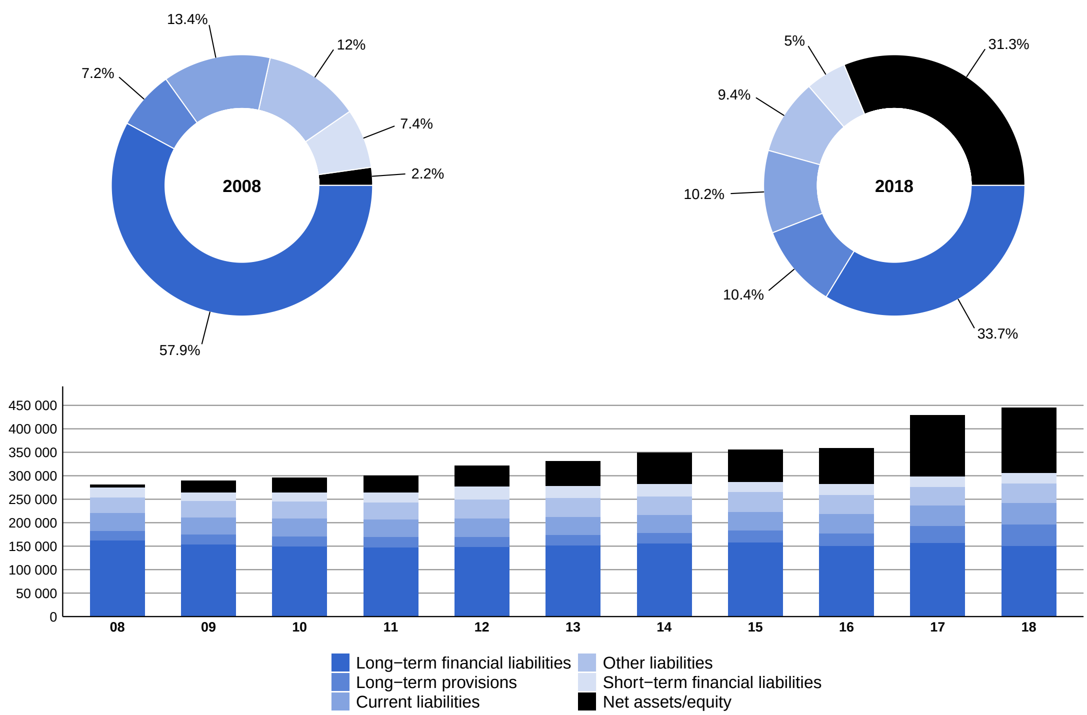
subsection 3.2 shows the trend and structure of the general government sector's statement of financial position from 2008 onward. It also shows the trend of gross debt from 1990 onward.

Figure 5: Assets according to the FS-Model (in CHF mn and % of total)



Assets – At the end of 2018, the total assets in the general government's statement of financial position amounted to 445.9 billion, i.e. 16.4 billion (3.8%) more than at the end of 2017. Total assets rose by 164.7 billion between the end of 2008 and the end of 2018. Much of that sharp increase was attributable to asset revaluations by the cantons and municipalities during the changeover to the new Harmonized Accounting Model (HAM2). These concerned mainly tangible fixed assets under administrative assets. They account for 36.1% of the statement of financial position and their value is up by 58.5 billion relative to the end of 2008. With an increase of 59.9 billion, financial interests have likewise soared since the end of 2008. They accounted for 5.8% of total assets in 2008 and had risen to 17.1% by 2018. Regarding non-administrative assets, the level of cash and cash equivalents has increased by 22.3 billion since the end of 2008. Long-term financial investments have also surged by 20.8 billion since 2008.

Figure 6: Liabilities and equity according to the FS-Model (in CHF mn and % of total)



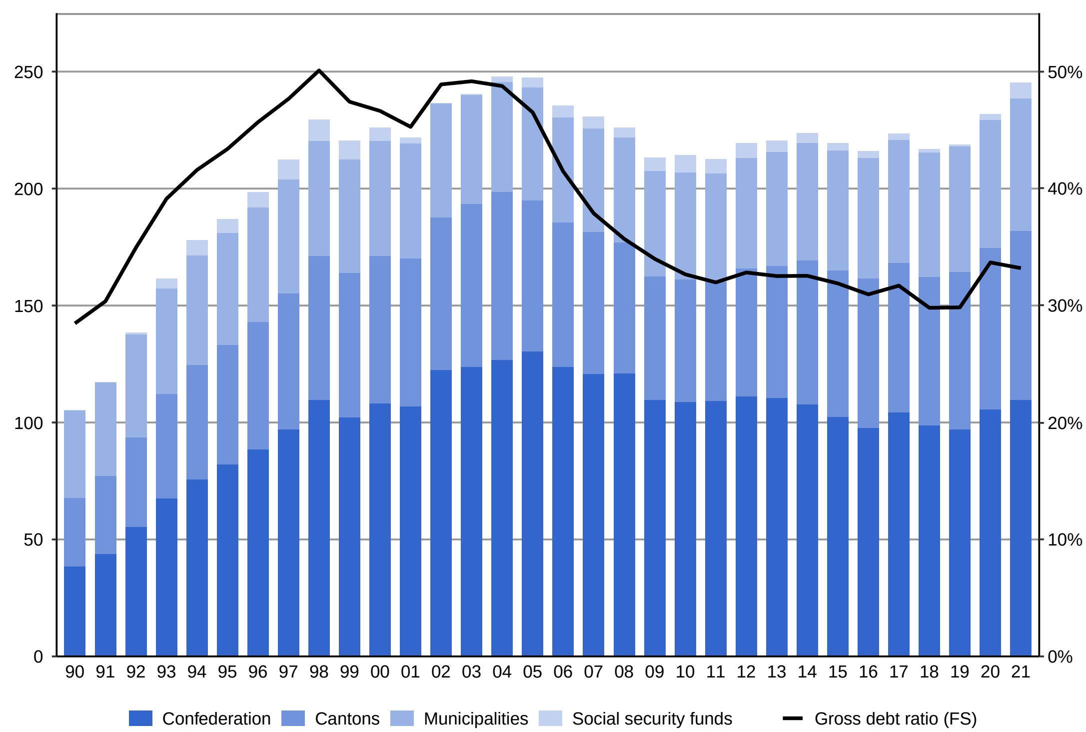
Liabilities and equity – According to the definitive figures for the 2018 financial statistics, the general government sector's total liabilities (see Figure 6) amounted to 306.4 billion, meaning a year-on-year increase of 7.2 billion (+2.4%) and a rise of 31 billion (+11.4%) relative to the end of 2008. This was driven primarily by the increase in long-term provisions, which have risen by 25.9 billion (+127.6%) since the end of 2008. The increase in long-term provisions was mainly due to the Confederation sub-sector, whose provision for future withholding tax refunds has climbed sharply since 2008.[1] Current liabilities and accrued expenses and deferred income have also increased by 8 billion and 7.3 billion, respectively, since the end of 2008.

In contrast, long-term financial liabilities have declined by 6 billion since the end of 2017 and by 12.4 billion since the end of 2008. This decrease is largely attributable to the 23.4 billion reduction in the Confederation's long-term financial liabilities since the end of 2008. The long-term financial liabilities of the cantons and municipalities rose by 11 billion during the same period. Finally, the

[1] In 2019, this provision for withholding tax was calculated for the first time using a revised valuation method. In order to ensure comparability, the figures for the previous year (2018) were adjusted retroactively (restated). As a result of this restatement, the provision was 7.8 billion higher at the end of 2018, and withholding tax receipts for 2018 were 200 million higher.

surge in net assets/equity was driven primarily by the general government sector's accumulated surplus, which has grown by 93.9 billion since the end of 2008. To a lesser extent, it can also be explained by the increase in special financing (+25 bn).
The changes in the various items on the liabilities side are reflected in the structure of the statement of financial position (see Figure 6). The proportion of long-term financial liabilities fell by 24.2 percentage points to 33.7% of the total, while the share of net assets/equity increased by 29.1 percentage points to 31.3%. The shares of the other items decreased accordingly.

Figure 7: Gross debt according to the FS-Model (in CHF bn (lhs) and % of nominal GDP (rhs))



Gross debt – The sum of current liabilities, short-term and long-term financial liabilities, less the value of short-term and long-term derivative financial instruments in the statement of financial position and less investment contributions posted as liabilities, corresponds to the amount of gross debt according to the national guidelines (FS Model)[2]. Figure 7 shows the trend of gross debt from 1990 onward in nominal terms for the general government sector and the four sub-sectors (blue bars), as well as the trend of gross debt as a percentage of nominal GDP for the general government sector (black curve). Gross debt at nominal value grew steadily in the early 1990s

[2]For the sub-sectors confederation and social security funds this definition additionally contains the liabilities toward government units.

and peaked at 245.9 billion in 2004. Starting in 2004, gross debt both in nominal terms and as a percentage of GDP began to decline, thanks in particular to the favorable economic situation. This trend continued until 2011, after which it slowed significantly. Gross debt at nominal value stabilized between 213 billion and 219 billion from 2012 to 2018. It is set to be 216.9 billion in 2019. As a result of the health and economic crisis, the government units' gross debt at nominal value is expected to increase by 11.5 billion in 2020 and by a further 9 billion in 2021.

4 Swiss public finances according to international guidelines (GFS Model)

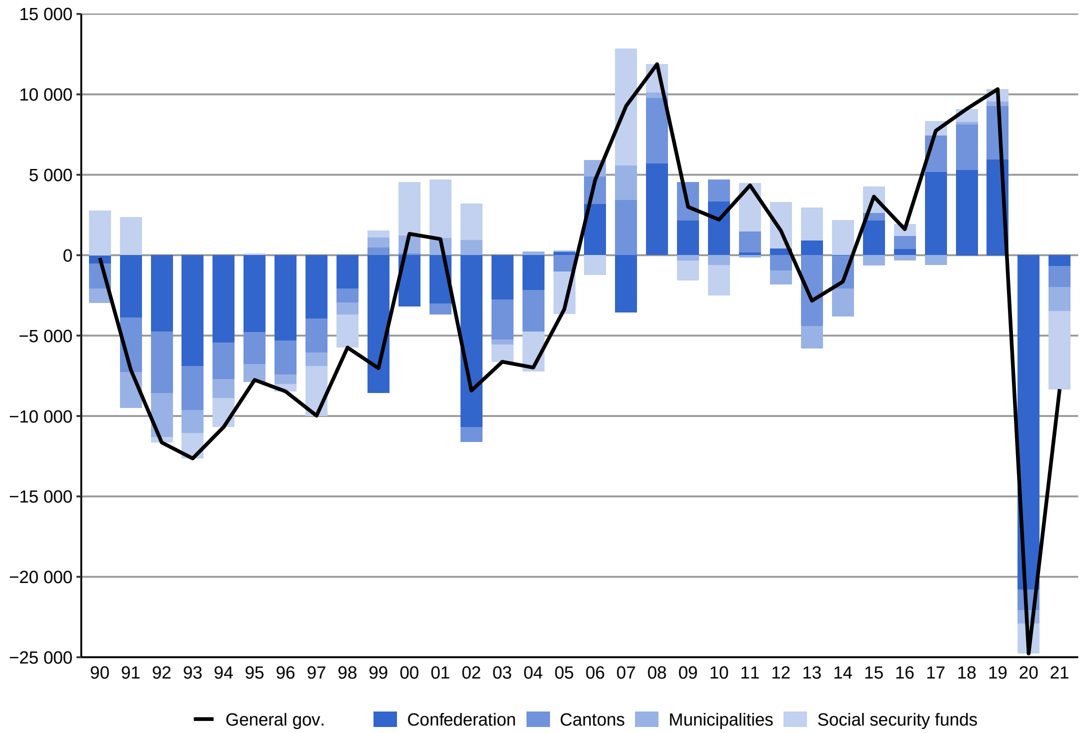
To facilitate international comparisons, the finances of the government units are additionally published in accordance with the guidelines of the International Monetary Fund (IMF). section 4 presents the main financial aggregates (surplus/deficit, receipts, expenditure, balance sheet and debt) for the general government sector and according to the guidelines of the International Monetary Fund.[3] section 4 also contains an international comparison of the main public finance indicators (see subsection 4.3).

4.1 Overall fiscal balance, receipts and expenditure

Fiscal balance – Figure 8 shows the fiscal balance for the period from 1990 to 2021 according to the guidelines of the International Monetary Fund (IMF). The black curve and the blue bars portray the government units' overall fiscal balance, i.e. the difference between total receipts and expenditure for the general government sector and the sub-sectors (Confederation, cantons, municipalities and social security funds). Since 1990, the balance according to the GFS Model has moved in a very similar way to the balance according to the FS Model (see dashed line in Figure 1). Between 2018 and 2021, the main difference between the two balances concerns fiscal 2019. The recapitalization of the State of Geneva pension fund (CPEG) does not weigh as heavily on the financing statement in accordance with the IMF's guidelines (GFS) as on that drawn up with the national FS guidelines. The 2019 GFS balance thus has a surplus of 10.3 billion. The FS and GFS balances are virtually identical for fiscal 2018, 2020 and 2021. Consequently, the explanations and comments in subsection 3.1 also apply to the GFS balance.

[3] The IMF's Government Finance Statistics Manual 2014 (GFSM 2014) forms the methodological foundation for the data and indicators published in this report.

Figure 8: Overall fiscal balance (CHF mn)



Receipts and expenditure – One objective of the IMF's international guidelines is to include the general government sector in the system of national accounts. As a result, compatibility is ensured between the financial indicators according to the GFS guidelines and those according to the system of national accounts. Figure 9 shows the trend of the main financial ratios from 1990 onward expressed as a percentage of GDP. These ratios make it possible to measure the significance of the general government sector in the economy.

Figure 9: Receipt ratio, tax-to-GDP ratio and general government expenditure ratio (in % of nominal GDP)

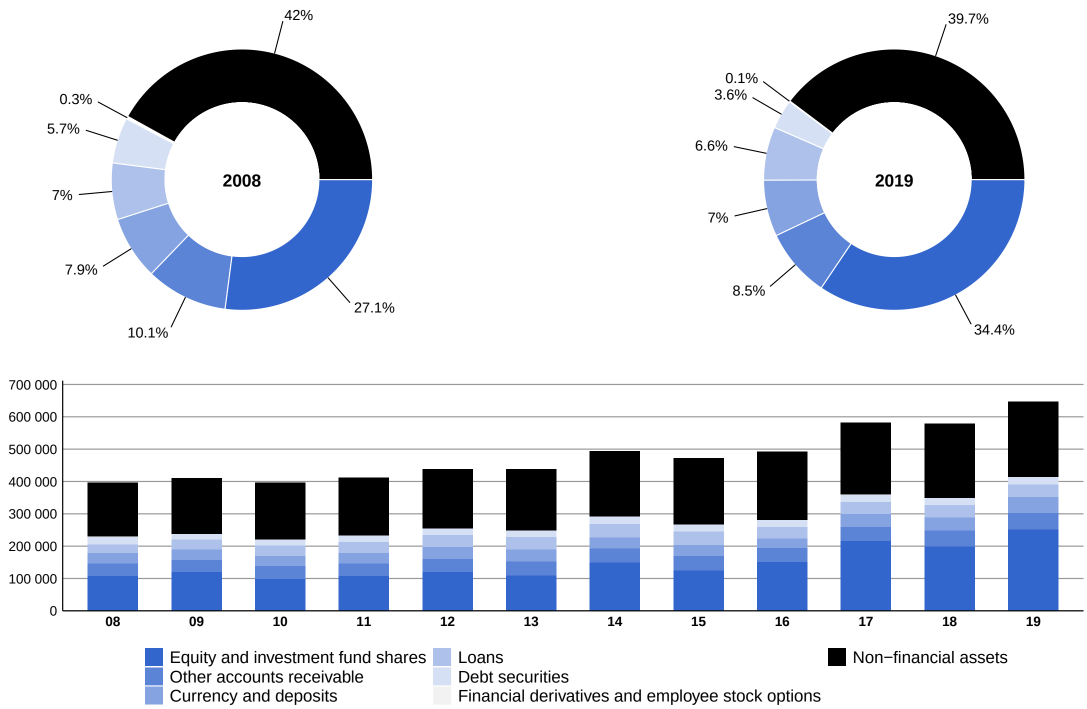
Receipt ratio and tax-to-GDP ratio – The receipt ratio and tax-to-GDP ratio (blue lines in Figure 9) measure the proportion of the value added that is used to finance the general government sector's activity (including transfers to other economic sectors). The receipt ratio, which corresponds to total receipts as a percentage of nominal GDP, and the tax-to-GDP ratio, which corresponds to general government sector tax receipts (taxes and contributions to social security funds) as a percentage of nominal GDP, have had similar trends since 1990. This indicates that the proportion of non-tax receipts has remained stable and that the momentum of receipts can be explained essentially by the development of tax receipts. The tax-to-GDP ratio increased rapidly in the 1990s and then stabilized at around 26% of GDP between 2000 and 2014. From 2015 onward, it rose moderately once again and reached 27.4% of GDP in 2017, its highest level since 1990. The tax-to-GDP ratio declined by 0.6 percentage points to 26.8% of GDP in 2018 and, according to the provisional financial statistics figures, it is set to rise to 27.4% in 2019. This tax-to-GDP ratio is likely to increase by 1 percentage point to 28.4% in 2020 as a result of the health and economic crisis associated with the COVID-19 pandemic. This increase can be explained by the fact that the decline in GDP is expected to be greater than that in tax receipts, which generally react with a certain time lag to cyclical fluctuations, particularly at the cantonal and municipal levels. The tax-to-GDP ratio should return to its pre-crisis level of 27.4% in 2021, largely as a result of nominal GDP growth.

General government expenditure ratio – The general government expenditure ratio (red line in Figure 9) measures the amount of resources spent by the general government on its activities (including transfers to other sectors of the economy) as a percentage of nominal GDP. It rose substantially in the 1990s, going from 27.6% in 1990 to 34% in 2002. It then plunged as a result of the very buoyant economy between 2004 and 2008, and stood at 29.8% in 2008. From 2009 to 2017, government expenditure growth slightly outpaced that of nominal GDP, and the ratio reached 32% of GDP. The general government expenditure ratio then edged down by 0.7 percentage points to 31.3% in 2018 and 31.5% 2019. Owing to the measures taken to stem the economic crisis related to the COVID-19 pandemic and the massive drop in GDP, the general government expenditure ratio is set to increase by almost 7 percentage points to reach 38.1% of GDP in 2020, which would be its largest annual increase since 1990. In 2021, the general government expenditure ratio is expected to fall by 3.5 percentage points to 34.6%. This means that it will not return to its pre-crisis level, mainly because of certain expenditure measures that will continue into next year (purchase of medical supplies, guarantees and financial support for various sectors, etc.), but also because GDP will not return to its pre-crisis level in 2021.

4.2 Balance sheet and debt

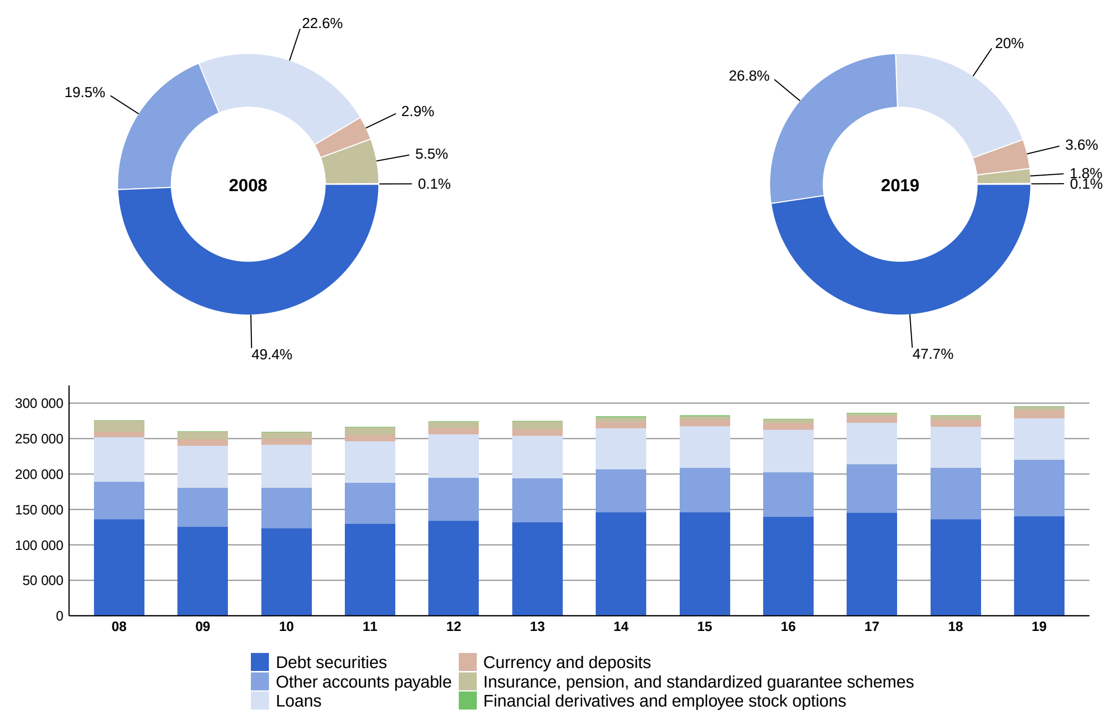
Total assets according to the international guidelines are expected to be 647 billion at the end of 2019 according to the provisional financial statistics figures, representing an increase of 68.5 billion (+11.9%) relative to the end of 2018, and a rise of 251.4 billion (+63.5%) relative to 2008. Under the GFS guidelines, balance sheet items are classified according to the type of financial instrument and have to be recognized at fair value insofar as possible. The GFS guidelines thus offer a different view of the balance sheet than the FS guidelines.

Figure 10: Assets by financial instrument (in CHF mn and % of total)



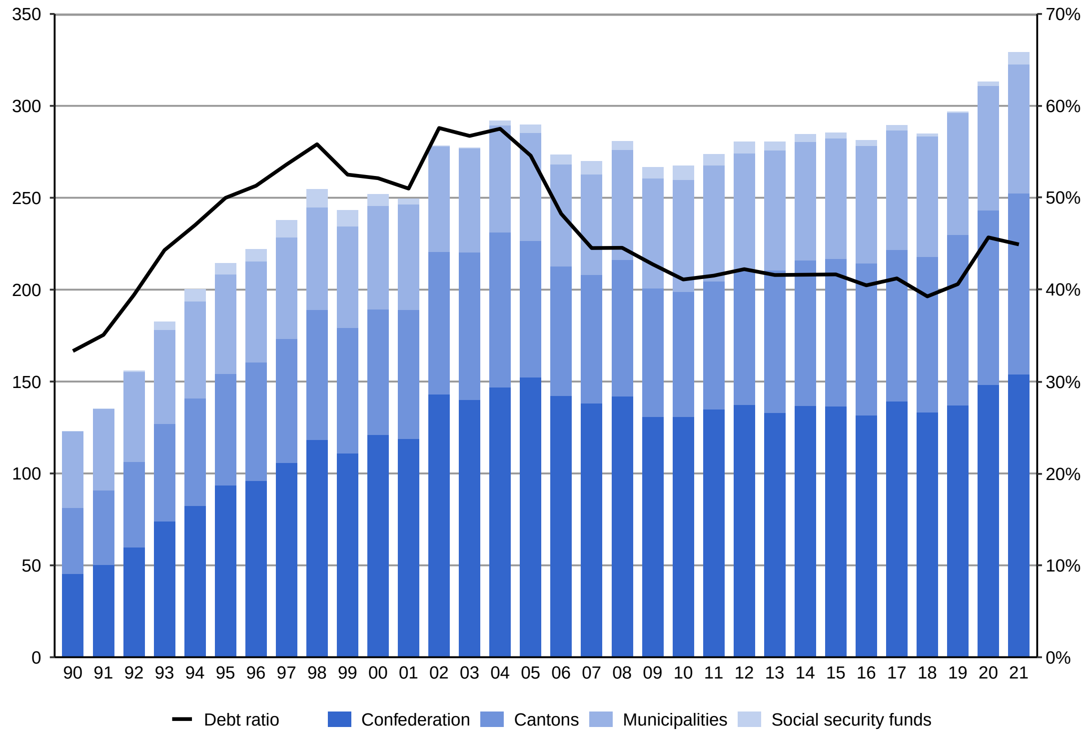
Assets – Figure 10 shows the items on the assets side of the balance sheet classified by financial instrument. The trend of the value of equity and investment fund shares is particularly striking, as the value of this instrument category has soared by 145 billion (+135%) since 2008. The category's share of total assets has risen from 27.1% to 34.4% since 2008. This robust growth can be explained by the fact that equity and investment fund shares are recognized at fair value. Their trend since 2008 thus reflects the performance of financial markets during this period. The financial markets' performance also explains the high volatility of equity and investment fund shares. After having shrunk by 15 billion between 2017 and 2018, the value of equity and investment fund shares rose by 52.8 billion in 2019 on the back of the strong growth observed on the financial markets last year. The value of the other instrument categories on the assets side of the balance sheet grew much less robustly than that of equity and investment fund shares. Consequently, their share of total assets has fallen since 2008, as can be seen in Figure 10.

Figure 11: Liabilities by financial instrument (in CHF mn and % of total)



Liabilities – Figure 11 shows the structure of the liabilities side of the general government's balance sheet, as well as their trend over time. Total liabilities are expected to be 295.5 billion at the end of 2019 according to the provisional financial statistics figures. Accounting for 47.7% of the total in 2019, debt securities are the largest instrument category. Figure 11 reveals that their value and their percentage of the total have remained relatively constant since 2008, with an increase of 4.8 billion and a reduction of 1.7 percentage points, respectively. In contrast, the value of other accounts payable climbed by 6.4 billion between 2008 and 2019, and their percentage of total liabilities rose by 7.3 percentage points. This increase was attributable to tax liabilities and accrued expenses and deferred income. Gross debt according to the international GFS guidelines consists of the sum of the items on the liabilities side of the balance sheet as depicted in Figure 11 less financial derivatives and employee stock options. The general government sector's gross debt ratio refers to gross debt in accordance with the international GFS guidelines expressed as a percentage of nominal GDP.

Figure 12: Gross debt (in CHF bn (lhs) and % of nominal GDP (rhs))



Gross debt ratio – Figure 12 shows the trend of the gross debt ratio, as well as that of gross debt in CHF. Gross debt refers to the general government sector's gross debt in accordance with the IMF's guidelines. Based on the provisional financial statistics figures, the gross debt ratio should be around 7 percentage points higher than the debt ratio according to the FS-Model in 2019 (see Figure 7). Although this difference tends to grow over time and the gross debt ratio is more volatile, both indicators have followed a similar path since 1990 (see Figure 7). In 2018, gross debt was worth 282.6 billion and corresponded to 39.3% of GDP. In 2019, it is set to increase by around 12.5 billion to 295.2 billion (40.6% of GDP), due essentially to the increase in the fair value of debt securities and the rise in other accounts payable. However, it does not concern all of the sub-sectors of the general government sector. While the value of federal and cantonal gross debt is expected to climb considerably, that of municipal gross debt is set to increase only slightly and that of the social security funds' gross debt is likely to decline.

As a result of the health and economic crisis, some of the large deficit (24.7 bn) anticipated in the general government sector in 2020 will have to be debt-financed, causing an increase of 14.7 billion in gross debt. The gross debt ratio is expected to rise by 5.1 percentage points to reach 45.7% at the end of 2020. This sharp increase in the ratio can also be explained partly by the substantial drop in GDP expected this year. In 2021, the general government sector's gross debt is likely to increase by 11.6 billion, owing especially to an expected deficit of 8.3 billion. Buoyed by the economic recovery and GDP growth, the gross debt ratio should edge down to 44.9

4.3 Swiss government finances in an international comparison

Presenting statistics on Switzerland's public finances in accordance with international guidelines ensures comparability with the government finance statistics of other countries. subsection 4.3 provides an international comparison of the main public finance indicators for selected countries or groups of countries, including Switzerland: deficit/surplus ratio, gross debt ratio, receipt ratio and general government expenditure ratio. These indicators are expressed as a percentage of nominal GDP.

Table 1: Deficit/surplus ratio and gross debt ratio[4]

In % GDP	2017	2018	2019	2020	2021
Switzerland	+1.1	+1.3	+1.4	-3.7	-1.2
Euro Area	-1.0	-0.5	-0.7	-9.2	-5.1
Germany	+1.2	+1.9	+1.4	-7.1	-3.8
France	-2.9	-2.3	-3.0	-10.4	-5.5
Italy	-2.4	-2.2	-1.6	-11.2	-6.8
Austria	-0.8	+0.2	+0.7	-7.3	-3.2
Belgium	-0.7	-0.8	-1.9	-8.6	-3.8
Denmark	+1.5	+0.5	+3.7	-7.6	-3.8
Netherlands	+1.3	+1.4	+1.7	-11.5	-5.9
Norway	+5.0	+7.8	+6.4	-1.4	+1.4
Spain	-3.0	-2.5	-2.8	-10.3	-6.2
Sweden	+1.4	+0.8	+0.5	-8.0	-7.0
Canada	-0.1	-0.4	-0.3	-7.5	-2.6
Japan	-2.9	-2.3	-2.6	-11.6	-5.9
United Kingdom	-2.4	-2.2	-2.1	-12.4	-7.8
United States	-4.3	-6.7	-7.3	-15.0	-10.5
Total OECD	-2.3	-2.9	-3.3	-11.1	-7.1

In % GDP	2017	2018	2019	2020	2021
Switzerland	41.2	39.3	40.6	45.7	44.9
Euro Area	106.1	102.7	104.0	120.9	120.3
Germany	74.1	70.3	69.3	84.3	85.3
France	123.2	121.6	124.2	144.1	142.2
Italy	153.0	148.3	156.2	181.3	176.3
Austria	102.0	96.6	94.7	106.7	107.2
Belgium	120.6	118.5	121.6	138.2	135.3
Denmark	49.1	47.8	47.1	57.7	57.4
Netherlands	70.7	65.7	62.1	75.8	78.6
Norway	44.7	45.6	46.7	N/A	N/A
Spain	115.8	114.7	117.1	139.5	137.4
Sweden	51.7	50.2	46.7	52.8	60.7
Canada	95.2	93.8	94.5	103.7	104.8
Japan	222.2	224.2	225.3	244.4	247.7
United Kingdom	119.9	116.6	116.1	137.7	136.2
United States	105.7	106.7	108.5	128.8	133.0
Total OECD	110.1	108.9	109.9	126.6	128.5

Deficit/surplus ratio and gross debt ratio – Table 1 provides an international comparison of the deficit/surplus ratio and gross debt ratio as a percentage of nominal GDP. From 2017 to 2019, Switzerland is one of a group of countries with a surplus. Germany, Denmark, the Netherlands, Norway and Sweden are also in this group. In contrast, France, Italy, Belgium, Spain, Canada,

[4] *Sources:* Switzerland: financial statistics; other countries: OECD Economic Outlook, June 2020, "single-hit scenario"; Norway's general government debt OECD Data (August 2020).

Japan, the United Kingdom and the United States have a deficit ratio for the same period.[5] It is interesting to note that the same two groups of countries appear when the gross debt ratio is considered. Switzerland, Germany, Denmark, the Netherlands, Norway and Sweden all have a gross debt ratio of less than 80% of nominal GDP over the period 2017 to 2019, while the other countries all have a gross debt ratio of more than 90%. Table 1 thus suggests that not all countries were in the same financial position when faced with the economic crisis triggered by the COVID-19 pandemic. With the exception of Switzerland and Norway, all of the countries included in Table 1 are likely to post a deficit of at least 7% of GDP in 2020. With deficits of -3.7% and -1.4%, the government finances of Switzerland and Norway are likely to be less affected by the crisis in relative terms. The gross debt ratio is expected to increase by more than 10 percentage points in most countries. The rise is likely to be 5.1 percentage points in Switzerland. Consequently, Switzerland's public finances should be less affected by the crisis than most other industrialized countries, as suggested by Table 1. In 2021, the economic recovery in Switzerland and around the world should remain moderate, and most countries (including Switzerland) are likely to continue to post a deficit. The trend of the gross debt ratio is set to be less uniform, with Switzerland, the euro area and the United Kingdom experiencing a slight decline, and North America (Canada, US) and Japan continuing to see an increase.

Table 2: Receipt ratio and general government expenditure ratio[6]

In % GDP	2017	2018	2019	2020	2021	In % GDP	2017	2018	2019	2020	2021
Switzerland	33.1	32.6	32.9	34.4	33.5	Switzerland	32.0	31.3	31.5	38.1	34.6
Euro Area	46.2	46.5	46.5	45.2	45.7	Euro Area	47.2	47.0	47.2	52.7	49.3
Germany	45.7	46.4	46.8	45.5	45.9	Germany	44.4	44.6	45.4	51.0	47.1
France	53.6	53.6	52.8	51.7	51.9	France	56.4	55.8	55.8	60.9	58.1
Italy	46.3	46.3	47.1	46.9	47.0	Italy	48.8	48.5	48.7	55.2	50.4
Austria	48.2	48.8	48.5	47.1	48.2	Austria	48.9	48.6	48.0	54.1	49.8
Belgium	51.2	51.4	50.3	49.4	49.7	Belgium	51.9	52.1	51.9	58.2	55.7
Denmark	52.8	51.4	53.6	49.1	51.3	Denmark	51.2	50.9	51.1	56.1	51.5
Netherlands	43.7	43.5	43.8	41.0	42.5	Netherlands	42.4	42.1	42.2	47.2	44.6
Norway	54.6	55.6	57.8	53.7	56.5	Norway	49.6	48.2	49.9	52.9	52.8
Spain	38.2	39.2	39.3	36.8	37.5	Spain	41.2	41.7	41.9	46.3	44.2
Sweden	49.7	49.6	48.7	47.3	47.3	Sweden	48.3	48.8	48.3	52.7	48.9
Canada	40.4	40.7	40.8	34.8	39.5	Canada	40.6	41.0	41.2	46.7	43.3
Japan	34.2	35.0	34.8	35.1	36.3	Japan	37.3	37.4	37.6	42.1	38.3
United Kingdom	36.6	36.6	36.6	36.4	36.8	United Kingdom	39.1	38.8	38.7	44.7	42.2
United States	30.8	29.5	30.3	26.0	30.3	United States	35.2	35.1	36.1	41.4	38.9

[5] Austria has a deficit ratio in 2017 and then a surplus ratio in 2018 and 2019.
[6] *Sources:* Switzerland: financial statistics; other countries: IMF Fiscal Monitor, April 2020.

Receipt ratio and general government expenditure ratio – Table 2 shows the receipt ratio and general government expenditure ratio for a selection of industrialized countries. The ratios vary considerably from one country to another. Whereas the United States, Switzerland, Japan, the United Kingdom, Spain and Canada have relatively low ratios from 2017 to 2019, other countries such as Norway, France, Belgium, and Denmark have quite high ratios. The receipt ratio and general government expenditure ratio remained fairly stable in all countries during the period 2017 to 2019.

The health and economic crisis will impact countries' public finances in terms of both receipts and expenditure in 2020. Nevertheless, Table 2 shows that the effect on the receipt ratio is likely to be almost imperceptible in most countries. This is due to the base effect caused by the sharp decline in GDP over the same period and the fact that receipts are set to fall in line with nominal GDP in most countries. However, it is interesting to note the relatively large drop in the receipt ratio for Norway, Denmark, Canada and the United States, which can be explained by the large proportion of revenue generated by the production of raw materials, particularly oil and gas, in the budgets of those countries. As a result of the crisis, the prices of these commodities and the receipts dependent on them have fallen more sharply than nominal GDP. Provided that no country decides to raise taxes, or is forced to do so, the receipt ratio should remain stable in most countries in 2021.

The trend of the general government expenditure ratio is set to be very different from that of the receipt ratio, as shown in Table 2. The measures taken to stem the economic crisis related to the COVID-19 pandemic are likely to push expenditure much higher in all countries (including Switzerland). Moreover, the severe drop in nominal GDP will probably exacerbate the rise in the general government expenditure ratio. With an increase of 6.6 percentage points, pushing the general government expenditure ratio from 31.5% to 38.1%, Switzerland's rise in 2020 should be quite similar to that of the other countries under review. Given that most of the state-financed support measures to deal with the crisis are unlikely to be extended into 2021, the general government expenditure ratio should decline again in all countries. It is expected to be 34.6% in Switzerland, i.e. 3.1 percentage points higher than its pre-crisis level, and it should remain below the level observed in the other countries under review.[7]

[7] It is important to note that contributions to health insurance, accident insurance and pension funds are not taken into account in the general government expenditure ratio, as these corporations do not belong to the general government sector. This may distort the comparison with other states to some extent.

Table of contents

5 Appendix

Both the brief report on the development of public finances and the annual report contained a number of appendices for methodology or terminology purposes. In order to keep this publication concise, those appendices are now placed separately on our website. The appendices concerned are as follows:

- Overview: financial statistics models and methodology
- Scope of the financial statistics