



Press release

Date: 17.02.2021

Embargo: Until the start of the press conference

2020 financial statements: record-breaking deficit

The federal budget ended 2020 with a record-breaking deficit of CHF 15.8 billion, caused by the COVID-19 pandemic. On the one hand, federal receipts were lower as a result of the economic downturn; on the other hand, the Confederation incurred high extraordinary expenditure to cushion the economic impact of the pandemic. The Federal Council was informed about the provisional results during its meeting on 17 February 2021. At the same time, it determined the fiscal policy framework for the next budget process. The Confederation is reckoning on a slow recovery for 2023 to 2025.

The federal budget ended 2020 with a deficit of CHF 15.8 billion, whereas a surplus of CHF 344 million had been expected in the budget. The deterioration of CHF 16.1 billion was due to the impact of the COVID-19 pandemic. First, the economic downturn caused by the containment measures resulted in lower receipts (-3.7 bn, or -5.0%); second, the Confederation incurred high extraordinary expenditure to cushion the economic impact of the pandemic (14.7 bn).

Table 1: 2020 fiscal balance

CHF mn	Fin. stmt.	Bdg.	Fin. stmt.	Deviation vs.	
	2019	2020	2020	Bdg.	FS in %
Ordinary receipts	74'474	75'666	71'917	-3'749	-3.4%
Ordinary expenditure	71'414	75'323	73'144	-2'178	2.4%
Ordinary fiscal balance	3'060	344	-1'227	-1'571	
Extraordinary receipts	541	-	125	125	
Extraordinary expenditure	-	-	14'672	14'672	
Overall fiscal balance	3'600	344	-15'774	-16'118	

Compared with the previous year, ordinary receipts fell by 3.4%, which was roughly in line with the expected decline in nominal GDP (-3.9%). The drop in receipts (-2.6 bn) was primarily attributable to withholding tax (-3.1 bn). Companies were more reluctant to pay dividends and buy back shares in 2020, which meant that investment income receipts were significantly lower than a year earlier. However, value added tax (-0.4 bn) and mineral oil tax (-0.3 bn) were also down year on year. In contrast, direct federal tax was up (+0.9 bn), as it was largely related to

income and profits in 2019.

Actual pandemic-related expenditure amounted to CHF 15 billion in 2020. The largest expenditure items concerned short-time working compensation (10.8 bn) and COVID-19 loss of earnings compensation (2.2 bn). The expenditure for the hardship support programme will not be reflected until the 2021 financial statements. Around CHF 31 billion was approved for COVID-19 measures in 2020. The big difference between this figure and actual expenditure was essentially due to short-time working compensation and COVID-19 loss of earnings compensation. These funds were calculated in spring 2020 on the basis of the effects of the pandemic, which could only be roughly estimated at that time. Overall, however, the economic downturn was less severe than anticipated in 2020. An overview of the 2020 expenditure for COVID-19 measures can be found in the appendix to this press release.

According to current estimates, a financing deficit of approximately CHF 20 billion is expected for 2021, caused by the extraordinary expenditure of around CHF 17 billion to combat the effects of the COVID-19 pandemic (budget and addendum Ia). In 2022 to 2024, the Confederation expects the federal budget to break even or be slightly positive.

Increase in debt and shortfall on amortisation account

Net debt rose by CHF 15.5 billion in 2020, reflecting the financing deficit. To meet the high funding requirements for the COVID-19 measures, the Confederation increased its debt during 2020 and reduced its liquidity and non-administrative assets. Liquidity had risen sharply in previous years as a result of various factors, especially in connection with withholding tax. By using this liquidity, the Confederation was able to avoid incurring as much new debt. Consequently, gross debt increased by "only" CHF 6.7 billion in 2020 and amounted to CHF 103.7 billion at the end of 2020.

Table 2: Development of debt and the amortisation account

CHF mn	Fin. stmt. 2019	Fin. stmt. 2020	Difference
Gross debt	96'948	103'653	6'705
Non-administrative assets	42'104	33'351	-8'753
Net debt	54'843	70'302	15'459
Amortisation account balance	4'339	-9'789	-14'128

The amortisation account provides the debt brake statistics for the extraordinary budget. According to the current Financial Budget Act, a shortfall must be made up within six years, although Parliament may extend the deadline. A shortfall can be offset with the help of extraordinary receipts or structural surpluses in the budgets. As these options are not sufficient in view of the large shortfall of up to CHF 27 billion currently foreseeable for the end of 2021, it is necessary for the law to be revised. The consultation procedure should begin in summer 2021. Depending on how the pandemic evolves, this shortfall could increase even further.

Further details:

Philipp Rohr, Communications Officer,
Federal Finance Administration FFA
Tel. +41 58 465 16 06, philipp.rohr@efv.admin.ch

Relevant department:

Federal Department of Finance FDF

The following can be found as an enclosure to this press release at www.finance.admin.ch:

- Overview of the main developments in terms of receipts and expenditure for fiscal 2020
- Tables for the 2022-2024 financial plan
- 2020 expenditure for COVID-19 measures
- Charts for the 2020 financial statements

The detailed state financial statements are published in March each year.