Schweizerische Eidgenossenschaft
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Swiss Confederation

Federal Department of Finance FDF
Federal Finance Administration FFA

Press release

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Public finances: increase in debt because of COVID-19 crisis

In 2019, the financial situation of the general government sector was gratifyingly positive, with the Confederation, cantons and social security funds achieving high surpluses. In the following two years, 2020 and 2021, Switzerland's public finances will have to overcome the biggest economic crisis in decades as a result of the COVID-19 pandemic and will be deeply in the red. The gross debt of the government units is thus likely to increase significantly. However, the debt ratio remains low by international standards.

With a surplus ratio of 1.4% of gross domestic product (GDP), the government units achieved their best result since 2008 in **2019**. The Confederation, cantons and social security funds achieved surpluses, with the Confederation posting the highest balance at 0.8%. In the subsequent two years, 2020 and 2021, the COVID-19 pandemic and the measures to cushion the economic repercussions clearly impact the public finances. In **2020**, considerable shortfalls in tax receipts for the Confederation and soaring expenditure in most sub-sectors will lead to a deficit of 2.6% of GDP. In view of the pandemic situation, extraordinary fiscal policy measures were taken at both federal and cantonal level. These measures cost around CHF 17 billion.

Due to the prolonged second wave of the pandemic, extensive measures were also decided for **2021** to cushion the economic impact (including hardship measures by the Confederation and cantons)[1]. These measures are likely to amount to almost CHF 23 billion for the general government. In view of the simultaneous decline in tax revenue, especially in the case of the cantons and municipalities, the burden on the government units will remain very substantial. The deficit for the general government is expected to reach 3.5% of GDP.

Given these sizeable deficits, debt is expected to rise sharply in all sub-sectors in 2020 and 2021. The **gross debt ratio** according to the IMF definition is likely to reach 45.7% of GDP in 2021. The Maastricht debt ratio is expected to rise to 30.2%. Despite the increase in debt, Switzerland's debt ratio remains low by international standards. Switzerland's public finances

[1] These figures take account of the Federal Council's fiscal policy decisions up to the beginning of March 2021.

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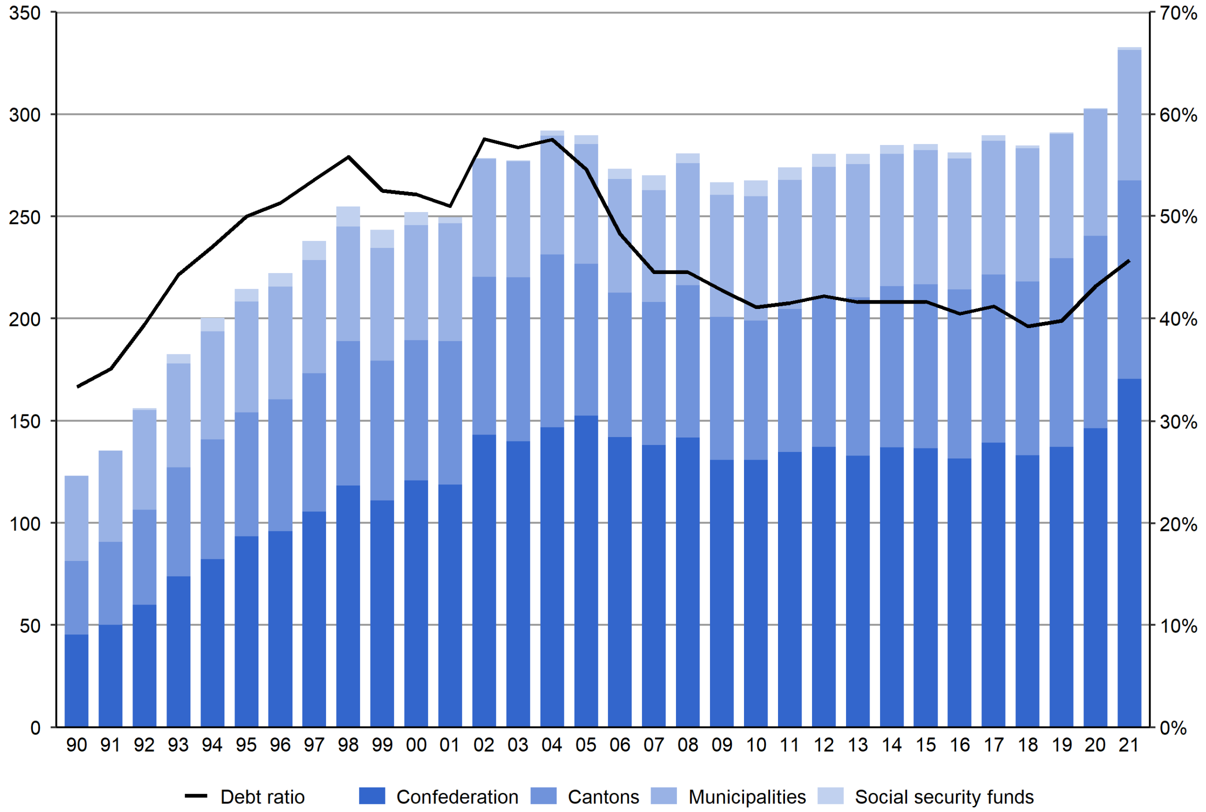
are still sound thanks to the debt reduction before the coronavirus crisis.

Debt trend: 1990-2021 liabilities for all sub-sectors, in CHF bn (lhs) and in % of GDP for the general government (rhs)



Risks: The greatest uncertainties for the public finances concern the further course of the pandemic. If Switzerland or its most important trading partners are hit by further waves of the pandemic that trigger drastic measures, the financial situation of the government units could deteriorate further. Conversely, in the event of the pandemic evolving favourably, meaning that the protective measures and extensive economic aid could be terminated earlier, the deficits could be lower.

The Financial Statistics Section of the Federal Finance Administration (FFA) is hereby publishing the provisional results for 2019, as well as forecasts for the subsequent five years regarding the financial situation of the government units (Confederation, cantons, municipalities and social security funds). The definitive results for 2019 for all levels of government will be published in September 2021.

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

- Brief report on financial statistics
- Detailed financial statistics data
- FAQ