Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
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Swiss Confederation

Federal Department of Finance FDF

Federal Finance Administration FFA

Press release

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Public finances: rapid recovery after substantial deficits caused by COVID-19 crisis

In 2020 and 2021, the COVID-19 pandemic will lead to the biggest economic crisis in decades, leaving deep scars on the government units' finances. With its record-high deficits, primarily the Confederation is affected, but the cantons and the municipalities are also in the red. Although the debt ratio is still low by international standards, the government units' gross debt is rising sharply. Surpluses are likely to be posted again in 2022 as the economy begins to recover.

With a surplus ratio of 1.3% 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 impacted the public finances. In **2020**, considerable shortfalls in tax receipts for the Confederation and soaring expenditure in most sub-sectors led to a deficit of 2.8% of GDP. The cost of the fiscal policy measures, particularly at federal level but also at cantonal level, amounted to around CHF 17 billion.

Due to the prolonged pandemic situation, extensive measures were also decided for **2021** to cushion the economic impact (including hardship measures by the Confederation and cantons). These measures are again likely to amount to CHF 17 billion for the general government. In view of the simultaneous decline in tax revenue 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 2.2% of GDP.

As the economy continues to recover, the government units' financial situation should return to normal in **2022**. The Confederation, cantons and social security funds are likely to return to positive territory, with a surplus of 0.6% anticipated for the general government.

Given the sizeable deficits, debt is expected to rise in all sub-sectors in 2020 and 2021. The **gross debt ratio** according to the IMF definition is likely to reach 42.3% of GDP in 2021 and

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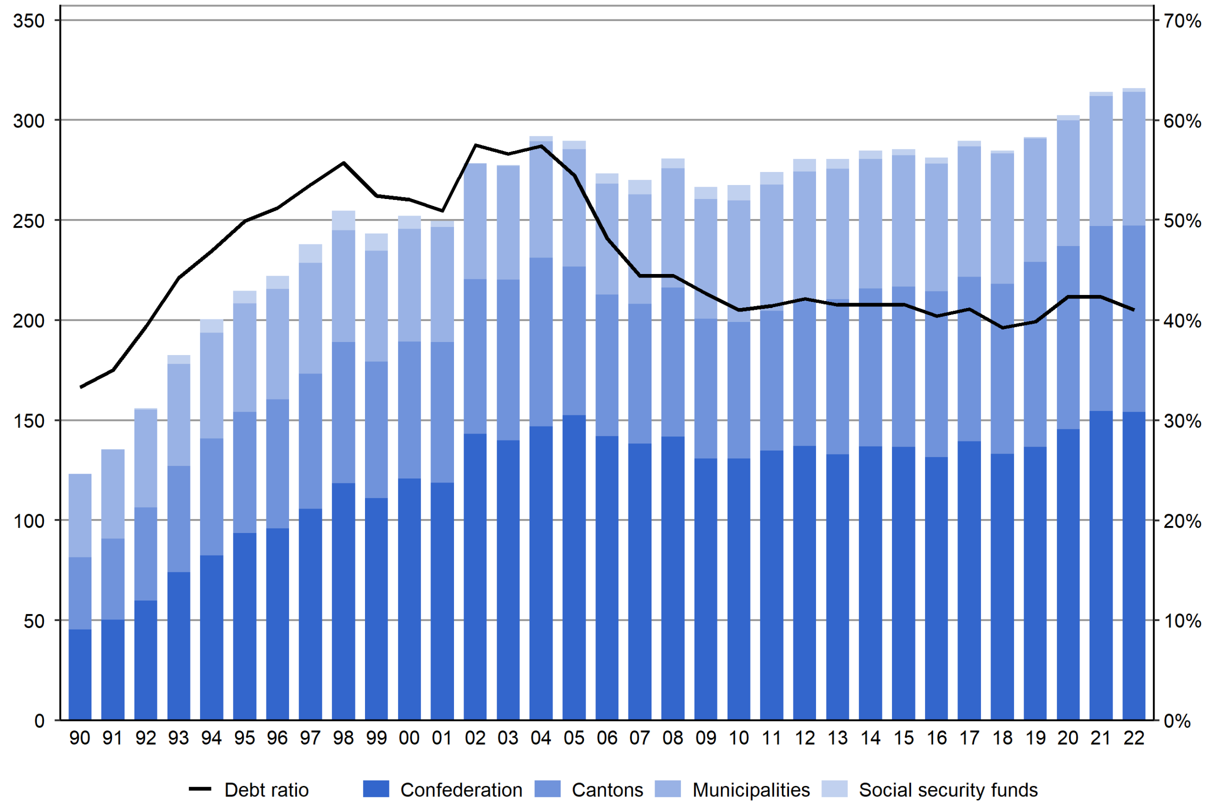
fall to 41% the following year. The Maastricht debt ratio is expected to rise to 28.1%. It too is set to edge down to an anticipated 27.3% in 2022.

Debt trend: 1990-2022 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 once again. 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 definitive results for 2019, as well as estimates and forecasts for the subsequent six years regarding the financial situation of the government units (Confederation, cantons, municipalities and social security funds).

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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