



Press release

Date: 29.03.2022

Public finances: return to positive results in the wake of the COVID-19 crisis

Due to the improvement in the epidemiological situation, significantly reduced stabilization measures to deal with the COVID-19 crisis are expected for 2022. The recovery of the Swiss economy should lead to positive fiscal balances in the cantons and social security funds sub-sectors. For the general government sector (Confederation, cantons, municipalities and social security funds), a surplus of around CHF 3 billion is expected in 2022 and gross debt should start to decline again from 2023 onward. This is shown in the latest financial statistics figures published by the Federal Finance Administration (FFA). In light of the Ukraine conflict, these forecasts are coupled with uncertainties.

The FFA's financial statistics provide a general snapshot of the financial position of the government units (Confederation, cantons, municipalities and social security funds). The provisional results for 2020 are now available, as well as estimates and forecasts for the following five years, which in particular provide an overview of the costs of the COVID-19 pandemic for all levels of government.

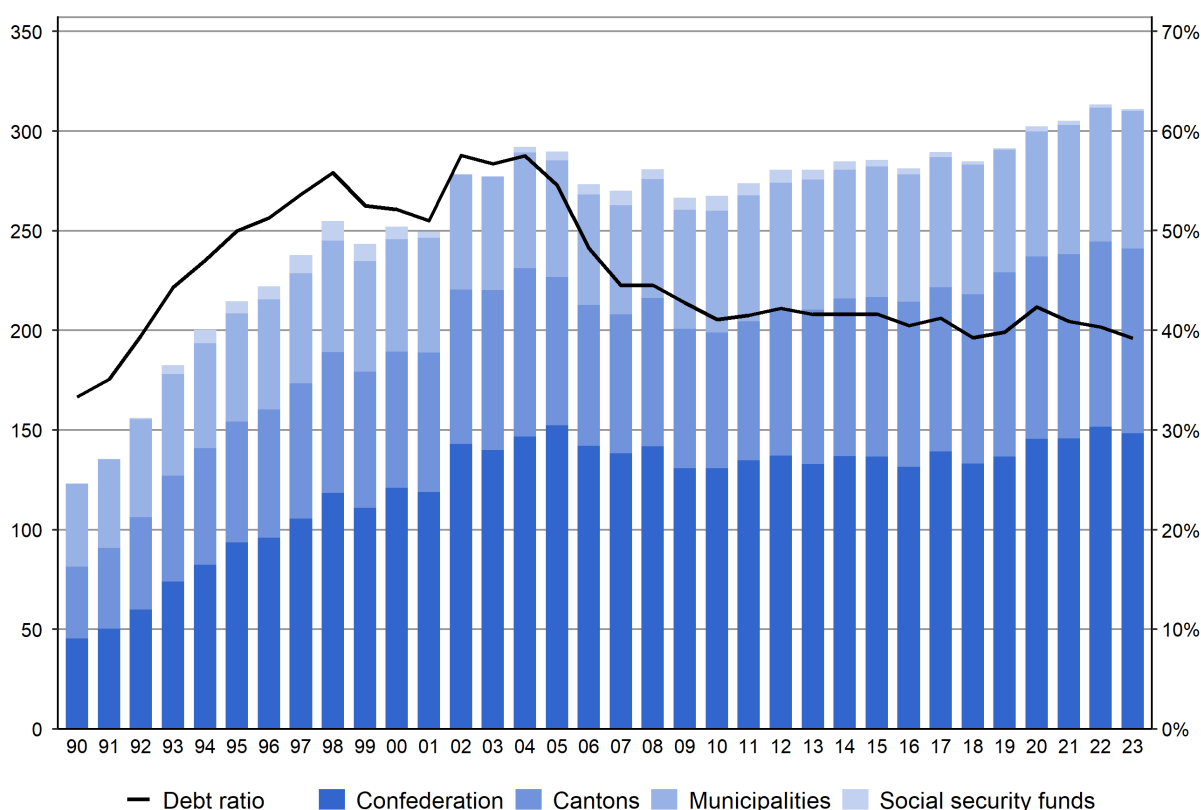
The COVID-19 pandemic led to the biggest economic crisis in decades, leaving a record deficit of CHF 21 billion in the public finances in **2020**. The deficit of 3.0% of gross domestic product (GDP) was made up of soaring expenditure in the Confederation, cantons and social security funds sub-sectors, as well as reduced tax receipts for the Confederation (mainly from withholding tax). A large share of the additional expenditure was used to support incomes and preserve jobs (e.g. loss of earnings and short-time working compensation), to finance health measures (e.g. procurement of medical supplies and COVID-19 tests) and to support particularly affected sectors.

In **2021**, the stabilization measures were extended to include hardship assistance for businesses. Overall, the general government incurred expenditure of CHF 34 billion to tackle the pandemic in 2020 and 2021. In view of the parallel decline in tax receipts in the case of the cantons and municipalities, the burden on the government units remained very substantial in 2021. The general government deficit is expected to amount to 0.7% of GDP.

The government units' financial situation should return to normal in **2022** as the economy recovers. The additional profit distribution by the Swiss National Bank and the solid tax growth at the cantons and municipalities contribute significantly to the positive development of the general government sector. Thanks to the high positive fiscal balances of the cantons and social security funds, a surplus of 0.4% of GDP is expected for the general government.

In order to finance the extensive measures to combat the COVID-19 pandemic in 2020 and 2021, the government units used existing liquid assets and increased their debt. In 2022, the general government's liabilities (especially at the Confederation level) are likely to increase again in nominal terms and reach a new high of CHF 314.3 billion. According to current estimates, debt is set to decline in 2023 thanks to financing surpluses in the Confederation, cantons and social security funds sub-sectors. Due to the strong economic growth, the gross debt ratio of the general government decreased already in 2021, going from 42.6% (2020) to 41.4% (2021) of GDP.

Debt trend: 1990-2023 liabilities for all sub-sectors, in CHF bn (lhs) and in % of GDP for the general government (rhs)



Risks: The greatest uncertainty for public finances is that the economic situation could deteriorate due to international developments (Ukraine conflict, soaring energy and food prices, increased supply bottlenecks) and the appreciation of the Swiss franc, leading to greater government spending (e.g. on humanitarian aid, fuel and energy). Global price pressures could also lead to higher inflation in Switzerland. Consequently, the forecasts for the development of public finances in the coming years would be too optimistic.

The definitive results for 2020 for all levels of government will be published on October 13, 2022.

Press release

Further details:

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

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

- Detailed financial statistics data
- FAQ