



Press release

Date: 16.08.2023

First extrapolation for 2023: smaller financing deficit expected

According to the first extrapolation for 2023, the Confederation is anticipating a financing deficit of CHF 1.5 billion for this year. A deficit of CHF 4.8 billion had been expected in the budget. The improvement is due to the fact that the CHF 4 billion rescue mechanism for the electricity industry in the extraordinary budget will probably not be needed. However, there is no SNB profit distribution, resulting in a CHF 2 billion drop in receipts. There is now a small structural financing deficit in the ordinary budget.

The Federal Council was informed about the current extrapolation on August 16, 2023. Based on the figures up to the end of June, the Confederation is expecting a financing deficit of CHF 1.5 billion for 2023, versus a budgeted shortfall of CHF 4.8 billion. The improvement is due to the fact that, as things currently stand, the CHF 4 billion in extraordinary expenditure that had been budgeted for the rescue mechanism for the electricity industry will not be needed. In terms of receipts, the biggest deviation from the budget is due to the absence of the Swiss National Bank's profit distribution (-2.0 bn). CHF 1.3 billion of this had been budgeted as extraordinary receipts.

Table: Extrapolation as of June 30, 2023

<i>CHF bn</i>	2023 bdg.	June extrapol.	Difference extrapol. vs. bdg.*
Ordinary receipts	79.8	79.4	-0.3
Tax receipts	75.0	74.9	-0.1
Nontax receipts and investment receipts	4.8	4.6	-0.3
Ordinary expenditure	80.5	80.1	-0.4
Current expenditure	74.9	74.5	-0.4
Investment expenditure	5.5	5.5	-0.0
Ordinary fiscal balance	-0.7	-0.6	+0.1
Extraordinary receipts	1.6	0.3	-1.3
Extraordinary expenditure	5.7	1.2	-4.5
Overall fiscal balance	-4.8	-1.5	+3.3

Any discrepancies in the totals are due to rounding.
Bdg. = budget, extrapol. = extrapolation

In the ordinary budget, the cyclically permissible financing deficit is smaller than at the time of budgeting (-0.6 bn instead of -0.9 bn), as the economy's capacity underutilization is now estimated to be lower. However, as the ordinary fiscal balance has improved only slightly (-0.6 bn instead of -0.7 bn), a small structural fiscal deficit is now assumed for 2023 as a whole (-53 mn instead of 194 mn).

Ordinary budget: withholding tax significantly lower

Both ordinary receipts and ordinary expenditure are likely to come in below budget (-0.3 bn and -0.4 bn, respectively). With regard to *receipts*, the trend level for withholding tax is expected to be down significantly as a result of the low receipts in recent years, and the receipts in the ordinary budget for the SNB profit distribution are completely absent (-0.7 bn each relative to the budget). By contrast, the direct federal tax estimate has been revised upward (+0.9 bn) based on the good profit tax results for 2022 and the robust nominal economic growth in 2022, which is the tax year that is relevant for 2023 (5.4%).

On the *expenditure* side, an overall decline of CHF 0.4 billion is anticipated. The relief provided by unspent budgetary credits (unutilized credits) is estimated to be higher than the credit increases during the year. Overall, unutilized credits are estimated to be CHF 2.1 billion, i.e. 2.6% of budgetary credits. This is lower than the average level for the past decade (3.3%). Additional requirements for supplementary credits and credit overruns are expected to amount to CHF 1.7 billion.

Major improvement in the extraordinary budget

Extraordinary expenditure is estimated to be significantly lower at CHF 1.2 billion (budget: 5.7 bn). The substantial deviation from the budget is due primarily to the rescue mechanism for the electricity industry, which will not be needed as things currently stand (budget: 4.0 bn). Lower expenditure is also anticipated in the case of social welfare lump sums for people from Ukraine seeking protection (1.1 bn; budget: 1.7 bn), as a smaller average number of protection seekers is assumed for 2023 (June estimate: 66,200; budget: 100,000).

Extraordinary receipts are expected to amount to CHF 0.3 billion (budget: 1.6 bn). On the one hand, these will stem from privatization proceeds arising from the gradual sale of RUAG International Holding AG (200 mn). On the other hand, the Confederation generated receipts from the risk premium (61 mn) for the liquidity assistance loans from the SNB to Credit Suisse, for which the Confederation provided a guarantee. These loans have since been repaid. The deviation from the budget is attributable to the absence of the SNB profit distribution and the supplementary distribution anticipated in the extraordinary budget (budget: 2.0 bn, of which 1.3 bn extraordinary).

Classification of the extrapolation

The Parliament Act stipulates that the Federal Council shall arrange for projections on the expected annual result to be issued as of **June 30 and September 30** and shall notify Parliament thereof. The extrapolation is **an estimate** based on the current year's receipts and expenditure, and the trend can vary considerably from month to month. It thus has to be interpreted with caution.

Further details:

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Relevant department: Federal Department of Finance FDF

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

- Federal tax receipts up to the end of June 2023
- Information note for the Finance Committees