Schweizerische Eidgenossenschaft
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Swiss Confederation

Federal Department of Finance FDF

Federal Finance Administration FFA

Press release

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Forecast for public finances: challenging situation for the Confederation and social security funds

After an initially positive trend, the public sector's financial development is likely to be heavily impacted by rising AHV expenditure. The general government's financing surplus will probably fall sharply in 2026 and 2027 as a result. Financing deficits are expected at federal level. This is shown in the latest forecasts of the Financial Statistics Section of the Federal Finance Administration (FFA).

The Financial Statistics Section of the Federal Finance Administration (FFA) provides twice-yearly forecasts for the government units (Confederation, cantons, municipalities and social security funds) through to 2027. The following picture emerges from the latest figures:

2023: financing surplus despite the absence of SNB distributions
According to the figures available to date, the financing surplus of the Confederation, cantons, municipalities and social security funds is likely to fall by a total of 2.4 billion year on year, and reach 4.4 billion in 2023. The reduction is mainly due to the cantons' expenditure growing more rapidly than their receipts, as well as to the absence of profit distributions by the Swiss National Bank (SNB). Net debt will edge up to 125.2 billion, primarily because of the increase in federal debt.

Forecast for 2024 to 2025: stable general government surpluses despite deficits for the Confederation
A financing deficit of 2.4 billion is expected in 2024 for the Confederation sub-sector, due mainly to extraordinary expenditure in connection with Ukraine (1.2 bn) and the capital contribution to SBB (1.2 bn). As things currently stand, the Confederation's financing deficit will fall to 1.1 billion in 2025, largely due to the extraordinary expenditure still incurred in connection with Ukraine. The cantons and the social security funds are likely to continue to post comfortable surpluses. The social security funds will benefit from the favorable employment situation, which leads to lower expenditure and higher receipts. In 2024, the social security funds will additionally benefit from the VAT increase as part of the AHV reform. Consequently, a financing surplus of 4.8 billion is anticipated for the general government in

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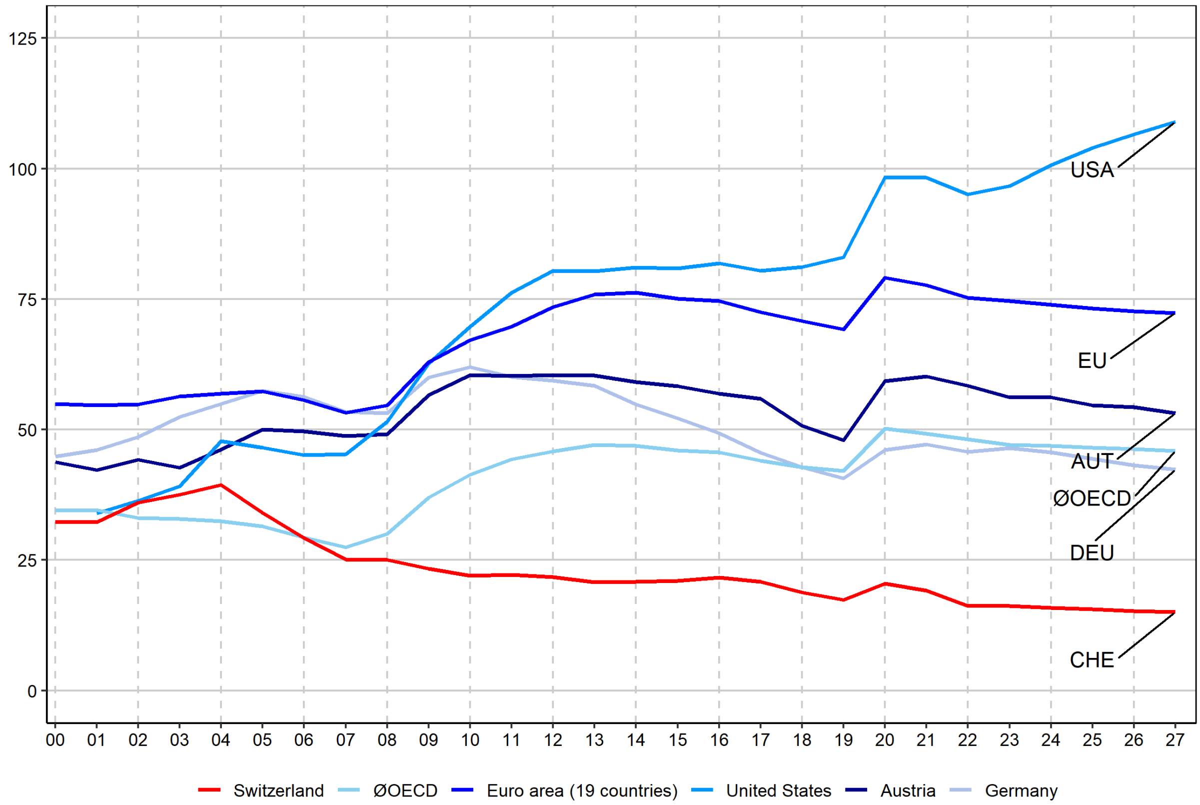
2024 and 4.6 billion in 2025. Accordingly, the general government's consolidated net debt will probably decline by the end of 2025.

Forecast for 2026 to 2027: influenced by the development of the social security funds
At general government level, the fiscal balance is expected to plummet to a deficit of 0.5 billion in 2026 and 2027. While the cantons are set to continue generating surpluses of around 2.6 billion, the financial situation of the social security funds in particular is likely to deteriorate significantly. The acceptance of the popular initiative on a 13th monthly AHV pension payment will trigger additional AHV expenditure of around 4.3 billion from 2026 onward (nominal prices). It has not yet been clarified how the additional costs will be funded. The forecast of the Financial Statistics Section therefore assumes that approximately 3.4 billion will be temporarily covered by the AHV's non-administrative assets, and that federal expenditure will grow by around 875 million in 2026, as the Confederation bears one fifth of AHV costs. However, funding proposals for this additional burden are currently being prepared. Overall, this will cause the social security funds' fiscal balance to experience a much sharper drop of 2.9 billion to around 1.3 billion in 2026 and 0.1 billion in 2027. Assuming that no adjustment measures are taken, a deficit of 1.3 billion is expected for the Confederation sub-sector in 2026 and 3.0 billion in 2027, due primarily to additional federal payments to AHV, as well as higher defense expenditure and assistance for people seeking protection in connection with the war in Ukraine.

Net debt ratio: slight decline over the forecast period
The general government's net debt ratio as a percentage of gross domestic product (GDP) is set to fall from 16.2% in 2023 to 15.0% in 2027. The lower ratio in all sub-sectors is driven primarily by the anticipated economic growth. Switzerland's net debt ratio is thus likely to be well below the average of 46.7% for OECD countries in 2027.

1990-2027 net debt ratio in an international comparison: in % of GDP; GFS Model



Risks: the biggest risks to the public finances stem from the potential impact of wars and conflicts in various regions of the world (Ukraine, Gaza and the Middle East, Afghanistan). A further escalation of the situation in these regions could lead to a large influx of refugees, which would require higher social security and education expenditure. Furthermore, the uncertainty surrounding the SNB profit distributions to the Confederation and the cantons is another risk. The unresolved issue of funding for the 13th monthly AHV pension payment also entails risks, both at federal level and for the fiscal balance of the social security funds. The current uncertainty regarding future monetary policy decisions and how inflation will evolve carries both opportunities and risks for the public finances.

Forecast assumptions: these public finance forecasts are based on the latest federal, cantonal and municipal decisions on budgets and financial plans. This information is supplemented with the latest forecasts concerning economic growth on the receipt side, and with empirical values for budget underruns on the expenditure side.

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

- Detailed financial statistics data
- FAQ