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Federal Department of Finance FDF
Federal Finance Administration FFA

Press release

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Swiss public finances 2009-2012: Expected deficits have not materialized so far

In 2009, the recession led to a deterioration in the financial situation of public budgets. Positive accounting results were achieved in spite of this. In 2010, the expected deficits largely did not materialize due to the surprisingly strong economic trend. While a deficit at the federal level (including separate accounts) is forecast for the coming years, the cantons and communes will be able to keep their accounts stable through 2012. The debt ratio for the entire state sector is likely to decline to 35.9% by 2012.

Development of accounts[1]

The Financial Statistics Division of the Federal Finance Administration (FFA) is publishing initial results for 2009 and forecasts through 2012 on the financial situation of the public budgets (Confederation, cantons, communes, and social insurance institutions). These accounts show that the financial and economic crisis of 2009 resulted in a strong decline of account balances at all state levels. Thanks to the very high surpluses of the previous years and the good accounting results at the federal and cantonal levels in 2010, however, the originally expected deficits did not materialise (see Table). The economic slump had the strongest impact in 2010 on the public social insurance institutions, which – as already in 2009 – exhibited a deficit, namely of -0.6% of GDP.

A slight deficit at the federal level is forecast for 2011 and 2012 due to high extraordinary expenditure, amongst other things. The cantons and communes will be able to keep their accounts stable until the end of the forecast horizon in 2012. Social insurance institutions will balance out their accounts again starting in 2012.

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[1] The data used for the indicators (except for the debt ratio) are based on the finance statistics standards of the International Monetary Fund (IMF).

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While the account balance of the entire state sector fell by 1.8 percentage points between 2008 and 2010 to 0.2% of GDP, it is likely to rise to 0.6% of GDP again by 2012.

Overview of public finances 2008-2012 in % of GDP

Indicators in % of GDP		**2008**	**2009**	**2010**	**2011**	**2012**
Deficit/surplus ratio	Confederation[1)]	1.0%	0.5%	*0.4%*	*-0.1%*	*0.0%*
	Cantons	0.6%	0.4%	*0.4%*	*0.4%*	*0.5%*
	Communes	0.0%	*0.0%*	*0.0%*	*0.1%*	*0.1%*
	Social insurance	0.3%	-0.2%	*-0.6%*	*-0.1%*	*0.0%*
	General government	**2.0%**	***0.8%***	***0.2%***	***0.3%***	***0.6%***
Tax-to-GDP ratio	Confederation[1)]	10.9%	10.7%	*10.8%*	*10.4%*	*10.5%*
	Cantons	7.1%	7.3%	*7.4%*	*7.4%*	*7.4%*
	Communes	4.5%	*4.7%*	*4.7%*	*4.7%*	*4.7%*
	Social insurance	6.7%	7.1%	*6.9%*	*7.2%*	*7.2%*
	General government	**29.1%**	***29.7%***	***29.8%***	***29.8%***	***29.8%***
General government spending ratio	Confederation[1)]	10.5%	10.8%	*10.7%*	*11.2%*	*11.2%*
	Cantons	13.1%	13.6%	*13.6%*	*14.1%*	*14.1%*
	Communes	7.5%	*8.0%*	*7.9%*	*7.9%*	*7.8%*
	Social insurance	9.0%	10.1%	*10.0%*	*9.8%*	*9.6%*
	General government	**32.3%**	***34.4%***	***34.1%***	***34.5%***	***34.2%***
Debt ratio as defined by Maastricht criteria (approximation)	Confederation[1)]	22.3%	20.7%	*20.0%*	*19.8%*	*19.5%*
	Cantons	10.3%	9.9%	*10.1%*	*9.4%*	*8.9%*
	Communes	8.3%	*8.6%*	*8.1%*	*7.7%*	*7.4%*
	Social insurance	0.9%	1.1%	*1.4%*	*1.3%*	*1.2%*
	General government	**41.0%**	***39.2%***	***38.3%***	***36.9%***	***35.9%***

1) including separate accounts
italics, greyed: estimates

State expenditure and tax receipts

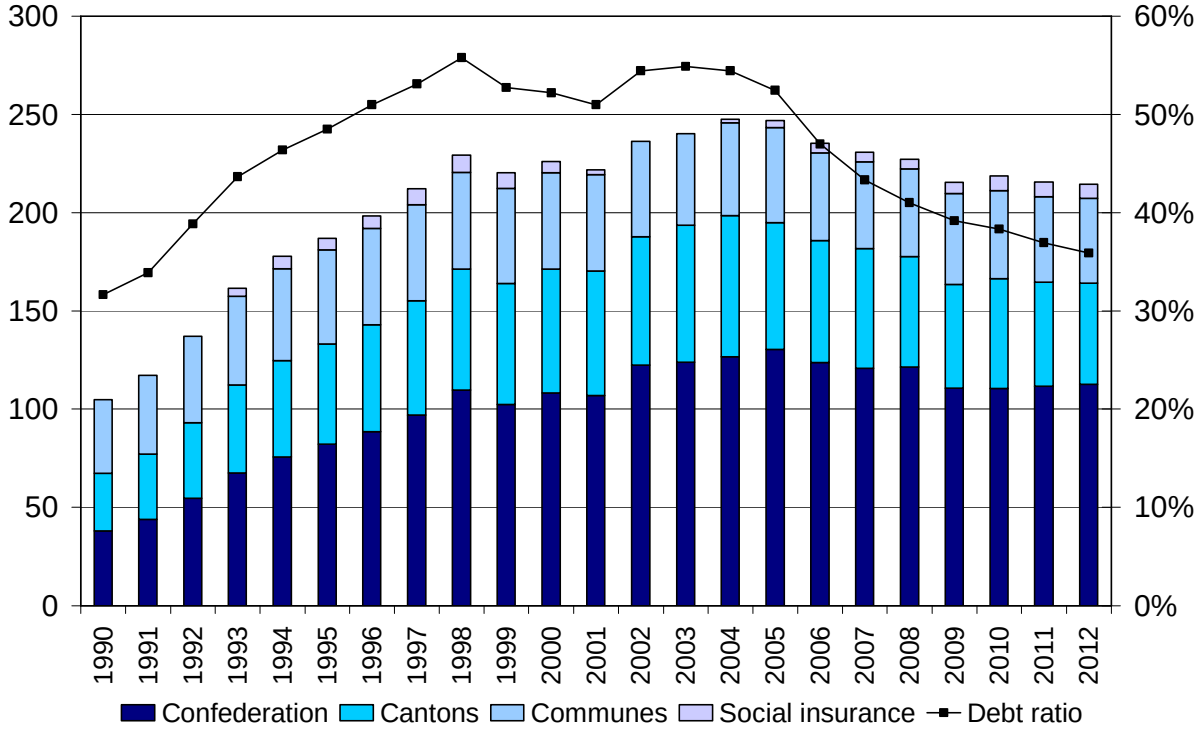
The large increase in expenditure in 2009 (in part due to the economic policy measures) in conjunction with falling GDP (-1.9%) caused the general government spending ratio for the consolidated general government to rise by more than 2 percentage points to 34.4%. The general government spending ratio is likely to remain above 34% of GDP until 2012.

The economic slump had a surprisingly weak impact on tax receipts, however, since the cantons in particular were able to revisit the level seen prior to the financial crisis, with a tax ratio of 7.3%. Tax receipts as a percentage of GDP for the entire state sector will remain slightly below 30% also in 2010 (29.8%) and in the following years.

Gross debt

Thanks to the positive accounting results, the gross debt ratio of the public budgets in accordance with the EU's Maastricht definition fell to 38.3% through to 2010 (see Chart). Debt as a percentage of GDP has thus been reduced continuously since 2003. While gross debt in Swiss francs especially at the federal level is expected to rise again in 2010 and partially also in the following years, stronger GDP growth starting in 2010 will be able to offset this slight growth in nominal debt. While the debt ratio of the general government has been falling continuously, the cantons (+0.2 percentage points) and social insurance institutions (+0.3 percentage points) exhibited higher gross debt as a percentage of GDP than in 2009. In the case of social insurance, the rise is due primarily to the higher unemployment rate seen in 2010. Gross debt for the entire state sector is likely to continue to fall in the coming years and decline to 35.9% of GDP by 2012.

Gross debt of public budgets in CHF billions and as % of GDP



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The online version of this press release at **www.efd.admin.ch/aktuell** also includes:

- Basic information
- Detailed data and information on financial statistics methods (only in German and French)
- Overview of the publications on federal finances