Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

State financial statements

Report on federal financial statements

2012

Published and edited by

Editing
Federal Finance Administration
Internet: www.efv.admin.ch

Distribution
FOBL, Federal Publication Sales, CH-3003 Bern
www.bundespublikationen.admin.ch
Art. No. 601.300.12e

13.003

Dispatch on the Swiss state financial statements for 2012

March 27, 2013

Dear Mrs. President of the National Council,
Mr. President of the Council of States,
Ladies and gentlemen,

With this dispatch, we hereby submit the *Swiss state financial statements for 2012* to you, and propose that you approve them in accordance with the enclosed draft resolutions.

We also request, in accordance with Article 34 para. 2 of the Federal Act of October 7, 2005 on the Federal Financial Budget (SR *611.0*), that you approve the *credit limit excesses* that proved inevitable after consuming the budgetary and additional credits.

Respectfully yours,

Bern, March 27, 2013

On behalf of the Swiss Federal Council

President of the Swiss Confederation:
Ueli Maurer

Federal Chancellor:
Corina Casanova

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Report on federal financial statements

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Ordinary receipts	64 245	64 117	62 997
Ordinary expenditure	62 333	64 131	61 736
Ordinary fiscal balance	1 912	-14	1 262
Extraordinary receipts	290	634	738
Extraordinary expenditure	1 998	–	–
Overall fiscal balance	205	620	2 000
Debt brake			
Structural surplus (+) / structural deficit (-)	2 362	435	2 018
Maximum admissible expenditure	66 527	64 131	63 319
Room for maneuver (+) / need for adjustment (-)		0	
Compensation account balance	17 811		19 394
Amortization account balance	-1 127		46
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Ordinary revenue	65 693	63 988	64 041
Ordinary expenses	62 680	63 878	62 336
Ordinary result	3 013	110	1 705
Extraordinary revenue	229	634	738
Extraordinary expenses	1 148	–	–
Surplus/deficit for the year	2 094	744	2 443
Statement of investments			
Ordinary investment receipts	593	252	222
Ordinary investment expenditure	7 552	7 377	7 014
Statement of financial position			
Net assets/equity	-27 400		-24 999
Gross debt	110 516	111 300	112 406
Indicators			
Expenditure ratio in %	10.6	10.8	10.4
Tax ratio in %	10.1	10.1	9.9
Gross debt ratio in %	18.8	18.8	19.0
Macroeconomic reference values			
Real GDP growth in %	1.9	1.5	1.0
Nominal GDP growth in %	2.2	1.7	1.1
Change in the National Consumer Price Index in %	0.2	0.7	-0.7
Long-term interest rates in % (annual average)	1.5	2.3	0.7
Short-term interest rates in % (annual average)	0.1	0.8	0.1
USD to CHF exchange rate (annual average)	0.89	0.90	0.94
EUR to CHF exchange rate (annual average)	1.23	1.25	1.21

Notes:
– Interest rates: annual average for 10-year federal bonds or 3-month Libor. Source: SNB, Monthly Statistical Bulletin.
– Exchange rates: annual average. Source: SNB, Monthly Statistical Bulletin.
– 2012 budget indicators: values based on the revised GDP figures of February 28, 2013.

11 Summary

The 2012 financial statements show the federal finances to be in good structural order. Although the ordinary financing surplus of 1.3 billion was lower than posted for the previous two years, the federal budget has so far stood up well to the weak economic growth that has been persisting since the middle of 2011. However, the surplus would have been 1 billion lower without the high windfall profit from premiums.

At the time of drawing up the budget (summer 2011), economic growth was expected to slow down from 2012 onward. The macro-economic *parameters for 2012* were thus based on real economic growth of 1.5% and inflation of 0.7%. However, the slowdown actually arrived sooner than expected, intensifying in 2012 because of the eurozone recession and the ongoing strength of the Swiss franc. The growth realized was thus only 1.0% and inflation was in negative territory at -0.7%. This was reflected in lower receipts but also brought some relief on the expenditure side (e.g. shares in receipts).

The *debt brake* permitted a cyclical deficit of 0.8 billion for 2012. As the federal budget posted a surplus, the balance adjusted for cyclical factors (i.e. structural balance) came to 2.0 billion. Compared with the previous year, both the cyclical and structural balance fell by some 0.3 billion. This reflects the slightly expansionary or stabilizing impact of the budget on the economy.

A balanced *budget* had been expected (-14 mn). However, both receipts and expenditure remained below budget (-1.1 bn and -2.4 bn, respectively). In particular, lower receipts were posted for value added tax, direct federal tax and stamp duty, resulting from lower-than-expected economic growth in 2011 and 2012.

Unexpectedly low interest rates were the main reason for expenditure coming in *below the budgeted figure*. Accordingly, high premiums were generated when reopening outstanding (higher-yield) bonds. These have the effect of lowering expenditure and thus reduced interest expenditure considerably. In other areas, too, there were high levels of unutilized credits (e.g. payments to social security funds, national defense).

The increase in receipts and expenditure was disproportionately narrowed by one-time *special factors*. In terms of receipts, the primary items worthy of mention are the lower profit distribution by the SNB (from 2012 onward) and various tax reforms (e.g. compensation for bracket creep, abolition of issue tax on debt capital). The expenditure side was affected by the package of measures to combat the strength of the franc and the portfolio transfer to SIFEM AG (both in 2011).

Ordinary receipts were down by 1.9%, or 1.2 billion, on the previous year. In particular, withholding tax was lower than in 2011, as too were stamp duty and also royalties and concessions, both of which were affected by special factors (abolition of issue tax on debt capital, lower profit distribution by the SNB). The decline in withholding tax revenue was caused by extensive share buyback programs coming to an end. When adjusted for the special factors (and the volatility of withholding tax), receipts grew by 2.3%, well above the nominal GDP growth rate of 1.1%. This was largely thanks to direct federal tax, which had stagnated the previous year and then, despite tax cuts, increased in 2012 by 2.5% (adjusted for special factors: 7.0%).

Ordinary expenditure was down by 1.0%, or 0.6 billion, on the previous year. Adjusted for special factors, expenditure increased by 0.7%. This modest rise was possible as a result of lower interest expenditure and high levels of unutilized credits. Growth above nominal GDP growth was posted under international relations, education and research, and agriculture and food.

The *extraordinary budget* posted receipts of 738 million from the new allocation of mobile radio frequencies. The auction for licenses running until 2028 generated a total of 996 million. The residual amount will attract interest and become payable in 2015 or 2016. Including extraordinary receipts, the overall fiscal balance came to 2.0 billion.

Gross debt rose by 1.9 billion to 112.4 billion in 2012. This increase was associated with the redemption of a bond issue of 6.9 billion maturing in February 2013. The building of the necessary liquidity led to a short-term increase in gross debt as well as in non-administrative assets. Net debt (gross debt less non-administrative assets) shows the increase adjusted for the build-up of funds for redeeming the bond. Net debt declined by 1.3 billion to 81.2 billion.

12 Economic development

The slowdown scenario underlying the 2012 budget was confirmed. However, as the global economy deteriorated, Switzerland's economic activity contracted more than anticipated when the budget was being prepared. Inflation fell into negative territory despite expectations of a slight increase in prices. Against this backdrop, interest rates continued to fall, settling at historically low levels.

The draft budget for 2012 was finalized in the early summer of 2011. The *macro-economic framework* was thus based on the quarterly forecasts of the federal government's expert group, published in mid-June 2011, at a time when the Swiss economy was showing the first signs of weakness. With the global economic outlook so bleak and the Swiss franc as strong as ever, the experts predicted a moderate slowdown of growth in Switzerland during the second half of 2011 and throughout 2012.

The budget was thus based on the hypothesis of real GDP increasing by 2.1% for 2011 as a whole (following 2.7% in 2010) and then by 1.5% for 2012. For 2011, economic growth (1.9%) turned out relatively close to the expected rate. In nominal terms, however, GDP grew by only 2.2% instead of the 3.0% predicted in the summer of 2011, producing a significant adverse effect for tax receipts in 2012, still directly dependent to a certain extent on developments the previous year.

Comparison of the macro-economic parameters for the 2012 budget and financial statements

	Budget	Fin. stmt.	Dev. in percentage points
	Variation in %		
Real GDP	1.5	1.0	-0.5
Nominal GDP	1.7	1.1	-0.6
		Rate in %	
Inflation	0.7	-0.7	-1.4

Then, in 2012, as the eurozone slipped into recession, the Swiss economy slowed down more than anticipated. For the year as a whole, real GDP growth was just 1.0% instead of the expected 1.5%. Growth in merchandise exports and investments was substantially lower than in 2011. However, the economy was largely sustained by consumer spending as a result of immigration and low interest rates.

Despite the slowdown in economic growth, the situation on the *labor market* remained buoyant throughout the first half of the year, with unemployment falling until the end of June. The trend subsequently reversed, however, bringing a particularly high increase in unemployment between October and December. The average rate of unemployment for the year stood at 2.9%, up by 0.1 percentage points year-on-year.

The Swiss franc remained strong on the foreign exchange market. The SNB continued to defend the minimum EUR/CHF exchange rate of 1.20 introduced in September 2011. In this context, it left the 3-month Libor target range unchanged at a low level (0%-0.25%). Interest rates continued to decline considerably overall. In response to the demand for safer investments, medium and long-term yields on federal bonds fell to an all-time low in December, with 10-year bonds barely above 0.4% at times. Against this backdrop, inflation as measured by the consumer price index turned negative, coming in at an average of -0.7% for the year instead of the 0.7% foreseen in the budget. The prices of domestic products remained unchanged on average, while those of imports fell by 2.7%.

21 Financing statement

The Confederation ended 2012 with a surplus of 1.3 billion, whereas a balanced budget had been expected. Despite the reduction in receipts, this improvement was made possible primarily by low interest expenditure. Relative to the preceding year, receipts fell by 1.9% and expenditure by 1.0% due to a series of special factors. Adjusted for these, both receipts and expenditure increased.

Financing statement

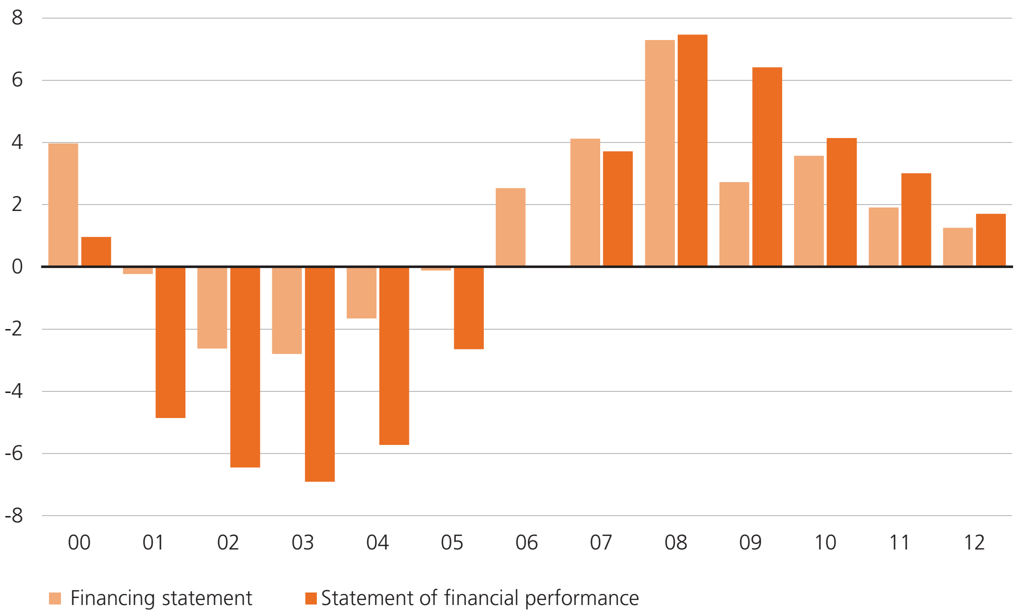
CHF mn	Fin. stmt. 2011	Budget 2012	Fin. stmt. 2012	Deviation vs. FS 2011 Absolute	%
Overall fiscal balance	**205**	**620**	**2 000**	**1 795**	
Ordinary fiscal balance	**1 912**	**-14**	**1 262**	**-651**	
Ordinary receipts	64 245	64 117	62 997	-1 248	-1.9
Ordinary expenditure	62 333	64 131	61 736	-597	-1.0
Extraordinary receipts	290	634	738	448	
Extraordinary expenditure	1 998	–	–	-1 998	

The *ordinary fiscal balance* for 2012 was 1.3 billion, with ordinary receipts of almost 63 billion and ordinary expenditure of 61.7 billion. A balanced result had been budgeted (-14 mn). The improvement was attributable to the fact that expenditure came in 2.4 billion below budget. By contrast, ordinary receipts failed to meet their budget target for the first time since 2003. Compared with the 2011 result, namely a surplus of 1.9 billion, the 2012 surplus was 0.7 bn lower. The federal budget therefore made a positive contribution to macro-economic demand in what was an economically difficult year (cf. Box).

The picture painted by the *extraordinary budget* is similarly positive. The new allocation of mobile radio frequencies generated receipts of 738 million for the federal coffers in 2012. It was thus largely possible to offset the high extraordinary expenditure of the previous year. Including the extraordinary budget, the overall fiscal balance rose to 2 billion.

Overall fiscal balance and statement of financial performance result in bn

Ordinary budget



Following a series of years of deficits (1991–1999 and 2001–2005), the Confederation has been posting surpluses again since 2006. The cyclical trend from 2000 is due to the economy as well as to structural reliefs (RP 03 and 04) and burdens (tax reforms, additional expenditure).

Development of ordinary expenditure excluding transitory items

CHF mn	Fin. stmt. 2011	Budget 2012	Fin. stmt. 2012	Deviation vs. FS 2011 Absolute	%
Ordinary expenditure incl. transitory items	**62 333**	**64 131**	**61 736**	**-597**	**-1.0**
Transitory items	**7 608**	**8 011**	**7 834**	**227**	**3.0**
Cantons' share in direct federal tax	3 070	3 220	3 144	74	
Cantons' share in withholding tax	482	413	427	-54	
Cantons' share in military service exemption tax	32	34	32	1	
Cantons' share in heavy vehicle charge	505	518	497	-8	
VAT percent for AHV	2 248	2 323	2 262	14	
VAT percent for IV	855	1 122	1 090	235	
Casino tax for AHV	415	381	381	-34	
Ordinary expenditure excl. transitory items	**54 725**	**56 120**	**53 901**	**-824**	**-1.5**
Expenditure ratio (% GDP)					
Incl. transitory items	10.6	11.2	10.4		
Excl. transitory items	9.3	9.8	9.1		

Ordinary receipts were down by 1.9%, or 1.3 billion, on the previous year. However, the development of receipts was complicated by various structural breaks, which distorted the development of receipts by a total of some 2.7 billion. Particularly worthy of mention are the lower profit distribution by the SNB and various tax reforms (e.g. compensation for the consequences of bracket creep, family taxation, abolition of the issue tax on debt capital), which led to significantly lower receipts. When adjusted for these special factors (and for the volatility of withholding tax), the growth in receipts works out at 2.3% – significantly more than the 1.1% nominal GDP growth. A particular contributor to this development was direct federal tax, which posted an adjusted growth rate of 7.0% (instead of 2.5% in accordance with the 2012 financial statements), after having stagnated in 2011.

Ordinary expenditure fell by 1.0%, or 0.6 billion, year-on-year. This development is surprising at first glance, but it can be explained by the influence of three special factors that distort the expenditure trend by around a billion francs, namely the package of measures to mitigate the effects of the strong Swiss franc, the capitalization of SIFEM AG in 2011, and the introduction of IV supplementary financing, which did not impact fully until 2012. All three factors give rise to structural breaks, and therefore distort comparisons with the current results. The adjusted expenditure growth rises to 0.7%, whereby the moderate growth can be explained by the sharp decline in interest expenditure and debt management expenditure.

Transitory items comprise cantonal and social insurance shares in receipts. These transfers cannot be used to finance federal expenditure and are extraneous to the fiscal prioritization process. When these items are excluded, expenditure declines by 0.5 percentage points more.

High premiums recognized as a means of lowering expenses

The 2012 financial statements are heavily marked by the premiums collected (969 mn, i.e. 410 mn more than in the 2011 fiscal year and 902 mn more than foreseen in the 2012 budget). Premiums are generated within the scope of bond issues (reopening existing bonds). They reflect the added value created by the difference or spread between market interest rates and a particular bond's coupon rate. Falling interest rates in recent years have led to an increase in this phenomenon. The practice of recognizing premiums, introduced in 2003, has thus regularly helped to lower interest expense, at times quite considerably.

Slightly expansionary fiscal stimulus

One aim of the debt brake is to ensure an economically compatible fiscal policy (Art. 100 para. 4 Cst.). The impact of the federal budget on the economy can be determined using three simple indicators. Overall, it can be seen that the federal budget had a slightly expansionary or stabilizing impact on the economy in 2012. It thus made up for some of the falloff in demand arising from the previous year's slowdown in growth.

- Relative to the previous year, the Confederation's ordinary surplus declined from 0.3% to 0.2% of GDP. This resulted in a *primary stimulus*, or an additional impact of the Confederation on demand, of around 0.1% of GDP.

- The primary stimulus can be broken down into the *impact of the automatic stabilizers* of the federal budget (increase in the deficit permissible cyclically) and the *fiscal stimulus* (reduction in the cyclically adjusted or structural surplus) as an indicator of the impact of discretionary fiscal policy decisions. Standing at 0.05% and 0.06% of GDP, both indicators point to a slightly expansionary impact (see also section 22).

22 Debt brake

With only a moderate increase in expenditure and interest rates at historically low levels, the ordinary federal budget remains in good structural order. The shortfall in the amortization account was eliminated in the 2012 fiscal year. The budget had a slightly expansionary effect on the economy.

Debt brake

CHF mn	Fin. stmt. 2008	Fin. stmt. 2009	Fin. stmt. 2010	Fin. stmt. 2011	Fin. stmt. 2012
Ordinary fiscal balance	**7 297**	**2 721**	**3 568**	**1 912**	**1 262**
Cyclical	1 086	-1 097	-817	-450	-756
Structural	6 210	3 818	4 384	2 362	2 018
Compensation account credit	6 210	3 818	3 969	2 197	1 583
Compensation account balance	**8 827**	**12 645**	**15 614**	**17 811**	**19 394**
Amortization account credit	–	–	416	-1 542	1 173
Amortization account balance	**–**	**–**	**416**	**-1 127**	**46**

Note: With the entry into force of the extended debt brake rule on January 1, 2010, the compensation account was reduced by 1 billion (Art. 66 FBA, amendment of March 20, 2009).

Higher deficit permissible cyclically than in 2011

Following the severe recession in 2009, the Swiss economy was relatively quick to find its feet again. 2012 proved a difficult year in economic terms, however, with the general economic underutilization rate rising again as the Swiss franc remained strong and the global economy lost steam. This was reflected in a higher cyclical deficit permitted under the debt brake rule, up by some 0.3 billion on the previous year.

Sound structural surplus

The reported surplus in the ordinary financing statement exceeded the deficit permissible cyclically by a total of 2 billion, producing a structural surplus that was only marginally lower than in 2011 (-0.3 bn). This is a gratifying development, especially given the sharp drop in receipts. It was made possible through a decrease in expenditure. In particular, the budget benefited from significantly lower expenditure on interest payable and debt management (-0.7 bn). However, the 2 billion structural cushion is also quite deceptive because, if interest rates were to return to normal at some point, there would be considerably less room for maneuver in terms of fiscal policy.

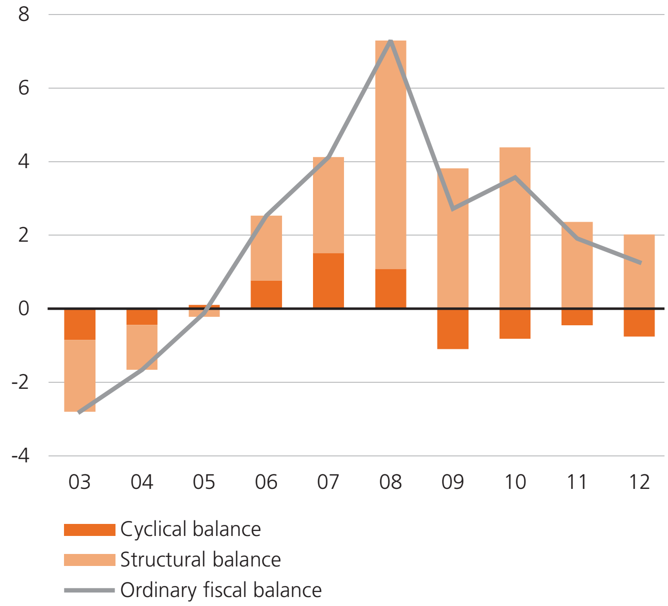
Balanced amortization account

An amount consistent with the structural surplus specified in the 2012 budget (435 mn) is to be credited to the amortization account. The extraordinary receipts in 2012 (738 mn) are also to be booked to the amortization account, resulting in a total credit of around 1,173 million. The amortization account now has a positive balance of 46 million. The extraordinary expenditure of 1,998 million in the 2011 fiscal year was promptly offset thanks to the precautionary savings made in the ordinary budget, as well as extraordinary receipts. The amortization account introduced under the extended debt brake rule provides a statistical measure of extraordinary expenditure and receipts. If the account is in deficit, the shortfall must be offset through recourse to structural surpluses in the ordinary budget.

High compensation account balance

The remainder of the structural surplus (1.6 bn) is to be credited to the compensation account, bringing that account balance to 19.4 billion. This high balance has resulted from structural surpluses since 2006, leading to the reduction in federal debt in recent years. In addition to measuring results, the compensation account also functions as a fluctuation reserve. In the event that an unexpected sharp drop in receipts creates a structural deficit despite cyclical adjustment, the fluctuation reserve would stop the compensation account from instantly going into deficit, necessitating consolidation measures.

Federal budget from a debt brake viewpoint in bn



The debt brake requires a minimum of a balanced structural position. This stipulation has been exceeded every year since 2006, allowing for debt reduction of 18 billion. At the same time, the leeway in the budget has been diminishing. The structural buffer fell to 1.3 billion in 2012.

Slightly expansionary effect of the budget

The change in the overall fiscal balance and its components gives an indication of how fiscal policy impacts the economy. The 0.7 billion decline in the overall fiscal balance was attributable to changes in both the cyclical and structural balances. The change in the cyclical balance (-0.3 bn) indicates the expansionary effect of the automatic stabilizers in the federal budget. This expansionary effect was accentuated by a discretionary stimulus of similar magnitude, corresponding to the decline in the structural balance (see box in section 21).

Review of ten years of the debt brake

The chart shows the federal budget since the introduction of the debt brake in 2003. The trend can be subdivided into three separate phases:

- In the first phase (2003-2005), structural deficits were successfully eliminated by the debt brake requirements.

- Between 2006 and 2008, when the economy was strong, the debt brake stopped any further expenditure funded by the high tax receipts. Substantial surpluses were generated instead.

- The Confederation was thus relatively well placed when the financial, economic and currency crises took hold between 2008 and 2012. Here, too, the debt brake proved its resilience in the face of recession: in 2008, it allowed for the extraordinary expenditure needed for stabilization, and in 2009-2010 it left enough room for three levels of economic stabilization measures for the financial system. In 2011, the flexibility afforded by this instrument permitted a package of measures to mitigate the effects of the strong Swiss franc on the economy.

The debt brake has generally proved to be an effective mechanism for controlling the federal budget over the economic cycle. Structural surpluses in the federal budget were reflected in a sharp drop in federal debt after 2005 (see also section 26), with the resulting decrease in interest payable giving the federal budget considerable room for maneuver.

23 Statement of financial performance

The ordinary statement of financial performance closed with a surplus of 1.7 billion, which was significantly lower than the previous year's surplus (-1.3 bn). The decrease in revenue was largely impacted by the change in the provision for withholding tax (-1.6 bn), among other factors. The extraordinary budget reflected the first round of the new allocation of mobile radio frequencies.

Surplus/deficit

CHF mn	Fin. stmt. 2011	Budget 2012	Fin. stmt. 2012	Deviation vs. FS 2011 Absolute	%
Surplus/deficit for the year	**2 094**	**744**	**2 443**	**349**	
Ordinary result (incl. financial result)	**3 013**	**110**	**1 705**	**-1 308**	
Ordinary revenue	65 693	63 988	64 041	-1 652	-2.5
Ordinary expenses	62 680	63 878	62 336	-344	-0.5
Extraordinary revenue	229	634	738	509	
Extraordinary expenses	1 148	–	–	-1 148	

The *surplus/deficit for the year* showed a revenue surplus of 2.4 billion, which corresponds to the ordinary result of 1.7 billion (result from operating activities and the financial result) and extraordinary revenue of 0.7 billion.

Relative to the previous year, the ordinary result was down by 1.3 billion.

- The decrease in revenue (-1.7 bn) was influenced significantly by the change in the withholding tax provision (-1.6 bn). Following a partial reversal in 2011 (1.1 bn), the provision was increased by 0.5 billion in 2012. Apart from this effect, operating revenue declined by 0.7 billion, due mainly to the lower profit distribution by the SNB. Meanwhile, financial revenue benefited from higher valuation gains on significant interests (+1.0 bn; increase in equity values).

- The reduction in expenses (-0.3 bn) was due to lower financial expense (-0.8 bn). Unlike the previous year, there were no valuation losses on significant interests (-0.4 bn; decrease in equity values). At the same time, interest expense was lower (-0.3 bn). However, operating expenses increased year-on-year (+0.4 bn).

Compared with the budget, the ordinary result in the statement of financial performance was 1.6 billion higher (1.7 bn instead of the budgeted 0.1 bn). This deviation was due not so much to the net operating result (reduced revenue of some 1.4 billion balanced out reduced expenses of 1.4 billion), but to a financial result that was 1.6 billion better than predicted in the budget. The substantial additional revenue in the financial result was attributable mainly to an increase in the equity values of significant interests.

Compared with the financing statement, the statement of financial performance was 0.4 billion higher. On the expenses side, the difference can be attributed to the recognition of accruals and deferrals, value adjustments, depreciation and amortization which are not recognized in the financing statement. Total depreciation on administrative assets was 2.2 billion (including 1.4 bn for motorways, and 0.6 bn for buildings). When total investment expenditure (7.0 bn) is compared with the total for depreciation and amortization and value adjustments (6.7 bn), the relatively small difference between the two values reflects the stable investment volumes. Also, the provision for withholding tax was adjusted to expected refunds (0.5 bn), which is reflected in the statement of financial performance as a corresponding reduction in revenue.

The *extraordinary revenue* of 738 million was generated by the new allocation of mobile radio frequencies. The auction raised revenue of some 1 billion overall, of which 738 million was paid in 2012. The remainder of the revenue will be payable in 2015 and 2016. This revenue was posted at the time of the inflow of funds and not deferred over the lifetime of the frequencies until 2018.

24 Statement of financial position

The negative net assets/equity, declined by 2.4 billion due to the surplus shown in the statement of financial performance. The sharp rise in non-administrative assets and short-term liabilities reflects the build-up of liquidity to redeem a bond maturing in February. Long-term liabilities were further reduced.

Statement of financial position

CHF mn	2011	2012	Deviation vs. 2011 Absolute	%
Assets	**104 526**	**108 968**	**4 442**	**4.2**
Non-administrative assets	29 526	32 543	3 016	10.2
Administrative assets	75 000	76 426	1 426	1.9
Liabilities and equity	**104 526**	**108 968**	**4 442**	**4.2**
Short-term liabilities	33 988	37 205	3 217	9.5
Long-term liabilities	97 939	96 763	-1 176	-1.2
Net assets/equity	-27 400	-24 999	2 401	8.8
Other net assets/equity	5 281	5 920	640	12.1
Accumulated deficit	-32 681	-30 920	1 761	5.4

Non-administrative assets increased by 3 billion. This sum was largely comprised of the increase in cash and cash equivalents (3.8 bn) and the decrease in short-term and long-term financial investments (-0.9 bn).

Administrative assets rose by 1.4 billion, due mainly to the increase in the equity value (equity share) of the financial interests in Swiss Post, SBB, Swisscom and RUAG (1.4 bn). Valuation gains are a result of positive business results.

Liabilities rose by a total of 2.0 billion. This can be explained by the fact that increases in money market debt register claims (2.4 bn), current liabilities (0.9 bn) and the premium on federal bonds (0.7 bn) under short-term liabilities exceeded the reduction in federal bonds (-0.8 bn), liabilities toward federal government companies (-0.5 bn) and the infrastructure fund (-0.4 bn) under long-term liabilities.

Function of the statement of financial position

The statement of financial position gives an overview of the Confederation's asset and capital structure. Following standard practice in Swiss government units, assets are divided into non-administrative and administrative assets for credit-granting reasons. Liabilities are broken down into debt and equity. The accumulated deficit includes the loss carried forward from previous periods. It is recognized as negative equity.

25 Statement of investments

The comparison with the previous year is greatly distorted by special factors occurring in 2011. Adjusted for these one-time payments, investment expenditure remained unchanged relative to the previous year, while investment receipts, some of which are difficult to project, were slightly lower. At 11.3%, investment expenditure as a percentage of ordinary expenditure was somewhat lower than the average for the past ten years.

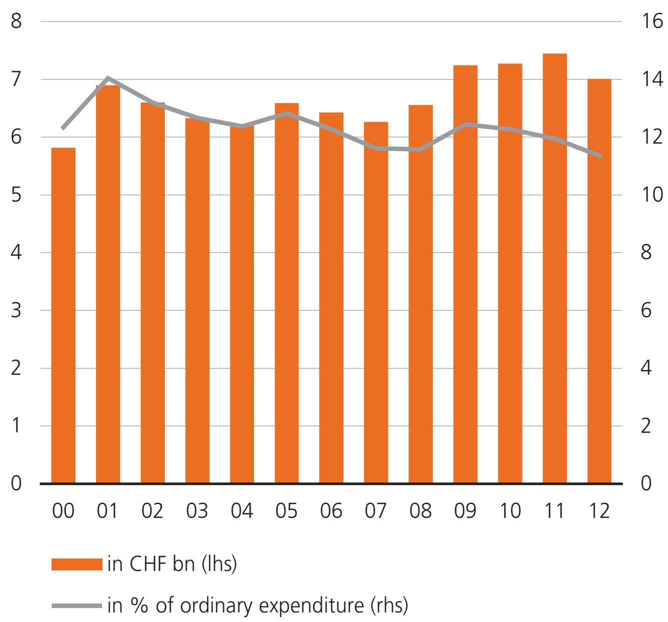
Statement of investments

CHF mn	Fin. stmt. 2011	Budget 2012	Fin. stmt. 2012	Deviation vs. FS 2011 Absolute	%
Statement of investments balance	**-7 519**	**-7 125**	**-6 791**	**727**	
Ordinary statement of investments balance	**-6 959**	**-7 125**	**-6 791**	**168**	
Ordinary investment receipts	593	252	222	-371	-62.5
Ordinary investment expenditure	7 552	7 377	7 014	-538	-7.1
Extraordinary investment receipts	290	–	–	-290	
Extraordinary investment expenditure	850	–	–	-850	

The comparison of *ordinary investment receipts* with the previous year is distorted by one-time special factors, as in the case for expenditure. In 2011, the disposal of financial interests in SIFEM AG (191 mn) and SAPOMP Wohnbau AG (170 mn) brought high additional receipts. Adjusted for these transactions, investment receipts in 2012 were 4.3% down on the previous year.

Ordinary investment expenditure declined by 7.1% year-on-year. This resulted from the one-time expenditure in 2011 for the budget-neutral capitalization of SIFEM AG (416 mn) and for investment measures to cushion the strength of the Swiss franc (123 mn). Adjusted for these special factors, investment expenditure in 2012 was the same as in the previous year. However, this was considerably lower than predicted in the budget, primarily as a result of less demand in the area of motorways and lower payments to the fund for major railway projects.

Development of investment expenditure



Investment expenditure and shares can vary quite significantly from year to year (e.g. 2001: higher deposits in the FinPT fund). The time series also shows that the share of investments in the federal financial statements (excluding separate accounts) has fallen in recent years (2012: 11.3%). Investments have tended to grow less than current expenditure.

The *statement of investments* includes expenditure incurred for the acquisition and accumulation of assets which are required for the performance of functions and used over successive periods (administrative assets). It also shows the receipts resulting from the sale or repayment of these assets. Proprietary investments accounted for a third of *investment expenditure* (mainly buildings and motorways), while transfers accounted for two-thirds of the total (mainly loans and contributions). *Investment receipts* consist primarily of loan repayments as well as proceeds from the sale of buildings. It is generally difficult to make projections for them, which is why there can be major deviations between the financial statements and the budget.

Investments in the separate accounts

The Confederation makes a significant portion of its investments by way of the fund for major railway projects and the infrastructure fund, which are treated as separate accounts. This expenditure is posted in the federal financial statements only to the extent of the net expense for these funds. The separate accounts present only the investments in the ETH Domain, as the Confederation's financing contribution is fully reflected in the statement of financial performance (no breakdown into current and investment expenditure).

CHF mn	Fin. stmt. 2011	Fin. stmt. 2012	Difference %
Confederation incl. separate accounts	**8261**	**7618**	**-7.8**
Confederation as parent entity	7552	7014	-7.1
Adjustment for separate accounts	709	604	

When the separate accounts are included, the Confederation's investment expenditure is higher by around 0.6 billion, or 1.0% of ordinary expenditure. Overall, the year-on-year reduction was slightly greater than for the parent entity, due to declining investments in the infrastructure fund and in the ETH Domain.

26 Debt

The Confederation's gross debt rose by 1.9 billion to 112.4 billion in the year under review. This was due to a temporary increase in the Federal Treasury's liquidity in order to redeem a bond maturing in February 2013. Meanwhile, net debt was further reduced (-1.3 bn).

Development of federal debt

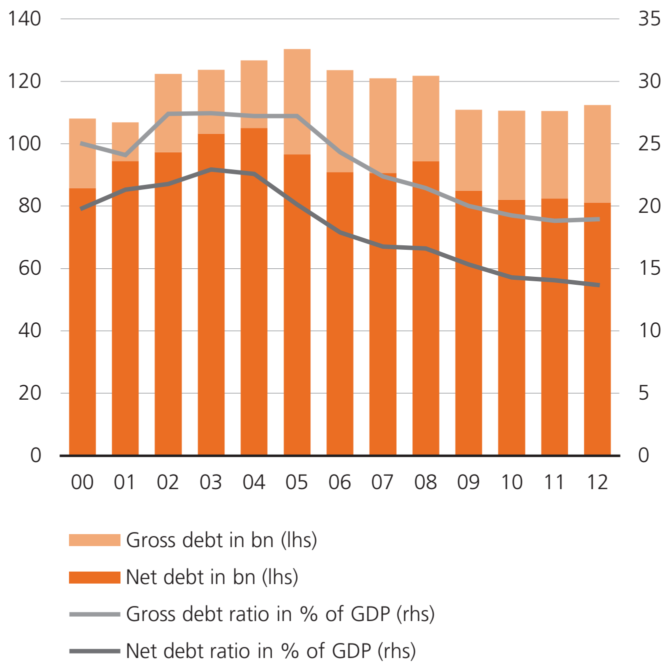
CHF mn	2000	2005	2010	2011	2012
Gross debt	108 110	130 339	110 561	110 516	112 406
Net debt	85 798	96 522	82 097	82 468	81 187

For the first time since 2008, gross debt again posted an increase (+1.9 bn). This was slightly higher than predicted (2012 budget: 111.3 bn).

In view of the 6.9 billion bond to be redeemed at the start of February 2013, the Federal Treasury's liquidity was increased as planned (by some 3.8 bn by year-end 2012, in the form of cash and cash equivalents). This increase was made primarily through the inflow of funds from the ordinary financing surplus and extraordinary receipts (totaling 2 bn), as well as through additional borrowing under short-term financial liabilities. As a result, the positive overall fiscal balance will not impact gross debt until after redemption of the aforementioned bond in 2013.

The debt-financed increase in the Federal Treasury's liquidity does not influence the development of net debt (gross debt less non-administrative assets). Net debt fell by 1.3 billion to 81.2 billion. The rise in gross debt (+1.9 bn) was more than offset by the increase in non-administrative assets (+3.2 bn).

Debt and debt ratio in bn and % of GDP



A trend reversal was achieved in 2004 and 2005. Net and gross debt has fallen gradually since then. The decline in debt ratios as a percentage of GDP is even more striking.

31 Development of receipts

Ordinary receipts in 2012 were down by 1.9% on the previous year. This was mainly due to the sharp drop in receipts from withholding tax, stamp duty and nontax receipts, as well as the quite significant influence of various special factors.

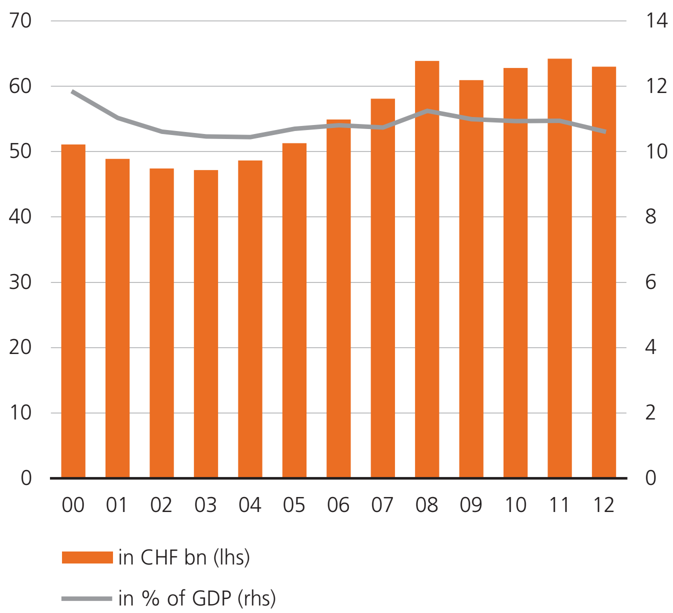
Development of receipts by account group

CHF mn	Fin. stmt. 2011	Budget 2012	Fin. stmt. 2012	Deviation vs. FS 2011 Absolute	Deviation vs. FS 2011 %	Deviation vs. budget 2012 Absolute
Ordinary receipts	**64 245**	**64 117**	**62 997**	**-1 248**	**-1.9**	**-1 119**
Tax receipts	**58 996**	**59 914**	**58 788**	**-208**	**-0.4**	**-1 125**
Direct federal tax	17 891	18 759	18 342	451	2.5	-417
Withholding tax	4 861	4 186	4 335	-526	-10.8	149
Stamp duty	2 857	2 445	2 136	-721	-25.2	-309
Value added tax	21 642	22 550	22 050	408	1.9	-500
Other consumption taxes	7 341	7 435	7 543	202	2.8	108
Misc. tax receipts	4 405	4 539	4 383	-22	-0.5	-156
Nontax receipts	**5 249**	**4 203**	**4 209**	**-1 040**	**-19.8**	**6**

Compared with 2011, ordinary receipts fell by 1.9% (-1.2 bn) in 2012, despite higher receipts from the two most important taxes, i.e. direct federal tax (+2.5%) and value added tax (+1.9%), and positive nominal GDP growth (+1.1%). The decline in total receipts is attributable not only to the relatively sharp drop in receipts from withholding tax (-10.8%), stamp duty (-25.2%) and nontax receipts (-19.8%), but also to the influence of various special factors. In fact, adjusted for these factors, receipts actually posted an increase of 2.3%. This stark difference results in particular from the increase in direct federal tax receipts, affected by different reforms.

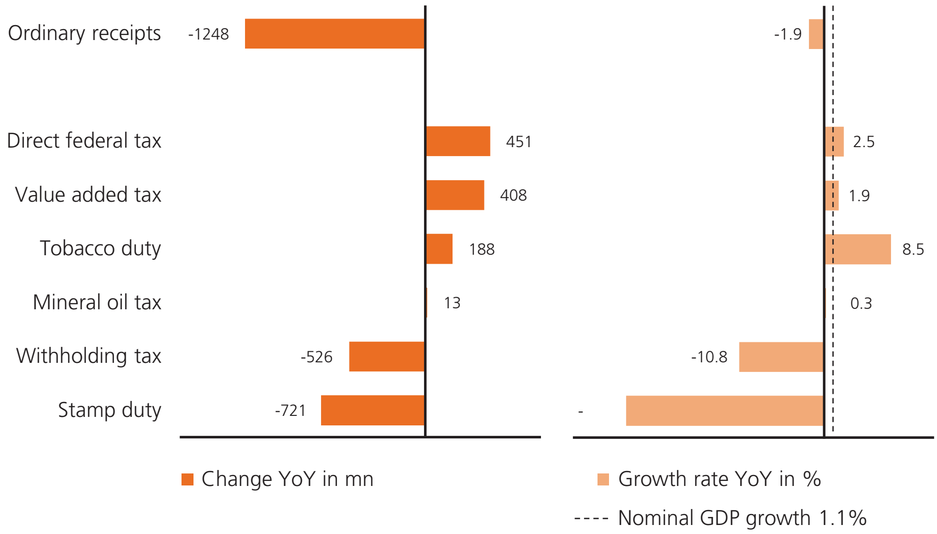
The chart on the next page shows the growth rates for the six highest tax receipt volumes.

Development of ordinary receipts



Total ordinary receipts have been increasing since the mid-2000s, and their trend has remained pretty close to that of GDP, meaning that receipts as a percentage of GDP (2012: 10.6%) have been quite stable during this period.

Development of 2012 receipts in mn and %



The decline in total receipts seen in 2012 was due mainly to the reduction in stamp duty and withholding tax revenue, as well as the impact of special factors. After adjusting for special factors, total receipts grew by 2.3%, thereby outstripping nominal GDP growth.

- Despite the negative impact of the reforms regarding family taxation, compensation for the consequences of bracket creep and the capital contribution principle, *direct federal tax* increased by 2.5%. The taxes on the net revenue of legal entities and on the income of natural persons both posted an increase of 3.1% and 1.8%, respectively. Direct federal tax receipts were based primarily on revenue realized in 2011, a year in which the economy was relatively buoyant.

- *Value added tax (VAT)* provided a boost, with receipts up by 1.9% year-on-year. This was largely due to the hike in the VAT rate in 2011 in favor of disability insurance, with around a quarter of the impact only realized in 2012.

- *Tobacco duty* receipts grew by 8.5%, despite manufacturers' 30-centime increase in the price of a packet of cigarettes.

- *Mineral oil tax* receipts posted only a very slight increase (+0.3%). This can be partly explained by the revision of the Federal Act on the Reduction of CO_2 Emissions (RS *641.71*), under which the CO_2 emissions of new vehicles registered in Switzerland have to be reduced.

- *Withholding tax* was down by 10.8% on the previous year. In 2012, the decline in receipts was far greater than that in the reimbursement rate; in both cases, the decrease was due mainly to two major share buyback programs ending in the year under review.

- *Stamp duty* receipts plunged by 25.2%. This was largely attributable to two factors: first, the abolition of the issue tax on debt capital, which came into effect on March 1, 2012 (as part of the "too-big-to-fail" regulations for big banks) and, second, the fall in receipts from transfer stamp tax resulting from the ongoing stock market uncertainty.

Development after adjusting for special factors

Experience shows that, in the long run, all of the Confederation's receipts develop in proportion to nominal GDP, i.e. the growth of receipts displays a long-term elasticity of 1 with respect to GDP growth. This benchmark makes it possible to assess the plausibility of budgeted receipt items. However, several categories of receipts can show more or less substantial structural breaks, which must be adjusted before comparing the development of overall receipts with GDP growth. These special factors are shown in the table on the next page for the years 2011 and 2012.

In net terms, the receipts for 2011 have to be revised downward by 1,756 million and those for 2012 have to be revised upward by 955 million. Therefore, adjusted for structural breaks and the typically volatile nature of withholding tax, receipts grew by 2.3% between 2011 and 2012. This yields a receipt elasticity of 2.1 (-1.7 unadjusted) relative to nominal GDP growth, which is clearly disproportionately high. In particular, it is due to direct federal tax receipts, which, after having stagnated the previous year, grew by 2.5 % in 2012 despite the relief granted. Excluding special factors, direct federal tax receipts (including interest and fines) would have posted a growth rate of 7%. Similarly, the adjusted growth rate for withholding tax (including interest and fines) would have reached 1.7%, and that for nontax receipts would have been 0.5%. The significant discrepancy between receipt elasticity before and after adjustment for special factors thus reflects the extent of their influence on the development of receipts between 2011 and 2012.

Special factors taken into account when adjusting the development of receipts

CHF mn	Fin. stmt. 2011	Fin. stmt. 2012	Deviation vs. FS 2011 Absolute	%
Ordinary receipts	**64 245**	**62 997**	**-1 248**	**-1.9**
Special factors				
Direct federal tax: compensation for consequences of bracket creep	-40	-480		
Direct federal tax: family tax reform	-20	-280		
Direct federal tax: capital contribution principle	-	-90		
VAT: IV supplementary financing	860	1 110		
Stamp duty: "too big to fail"	-	-440		
Mineral oil tax: CO_2 Act	-	-50		
Nontax receipts: SIFEM AG portfolio transfer	416	-		
Nontax receipts: sale of SAPOMP AG	170	-		
Nontax receipts: SNB distribution of profits	-	-500		
Nontax receipts: EU savings tax	-	25		
Withholding tax: deviation from the trend	370	-250		
Total net increase (+) / decrease (-) in receipts due to special factors	**1 756**	**-955**		
Adjusted ordinary receipts	**62 489**	**63 952**	**1 463**	**2.3**

Quality of estimates

Receipt estimates have taken on greater significance since the introduction of the debt brake, which requires expenditure to be budgeted on the basis of estimated receipts. Ordinary receipts were 1.7% (1.1 bn) below the budgeted level. In absolute terms, this discrepancy is narrower than it was for 2011 and, moreover, is lower than the average absolute forecast error for the last ten years (4.3%). This discrepancy was mainly attributable to the overestimation of direct federal tax, stamp duty and VAT in drawing up the 2012 budget. To a certain extent, this stemmed from overly optimistic economic growth prospects for 2011 and 2012 at the time of drawing up the budget.

Lower receipts due to the capital contribution principle

The capital contribution principle (CCP) introduced with the Business Tax Reform Act II results in lower receipts when corporations repay tax-free capital contributions (so-called substitute dividends) instead of distributing taxable dividends. Substitute dividends amounted to approximately 9 billion in 2011, and 8 billion in 2012. On this basis, the reduction in federal receipts is estimated to be 1.5 billion for 2011, and 370 million for 2012.

CHF mn	2011	2012
Estimate of CCP reduction in receipts	1 515	370
Direct federal tax	–	90
Withholding tax	315	280
Withholding tax – one-time effect	1 200	–

The following assumptions are made when calculating the reduction in receipts:

- Direct federal tax: 10% of substitute dividends relates to natural persons in Switzerland (marginal tax rate 30%). The Confederation accounts for a third of the income taxes lost, and the cantons and communes the remaining two-thirds. The first reduction in receipts was in 2012 (2011 tax year).

- Withholding tax: 10% of the withholding tax on dividends is not reclaimed (tax rate 35%). One-time effect: in 2011 when the change was introduced, refunds from the previous year's dividends were payable (1.2 bn), and these were not offset by new receipts.

32 Development of expenditure by task area

Ordinary federal expenditure amounted to 61.7 billion in 2012, 600 million lower than the previous year. Even when adjusted for special factors (package of measures to combat the strength of the franc, SIFEM 2011, IV supplementary financing), expenditure growth remains moderate (+0.7%) thanks to the decline in both interest expenditure and debt management expenditure.

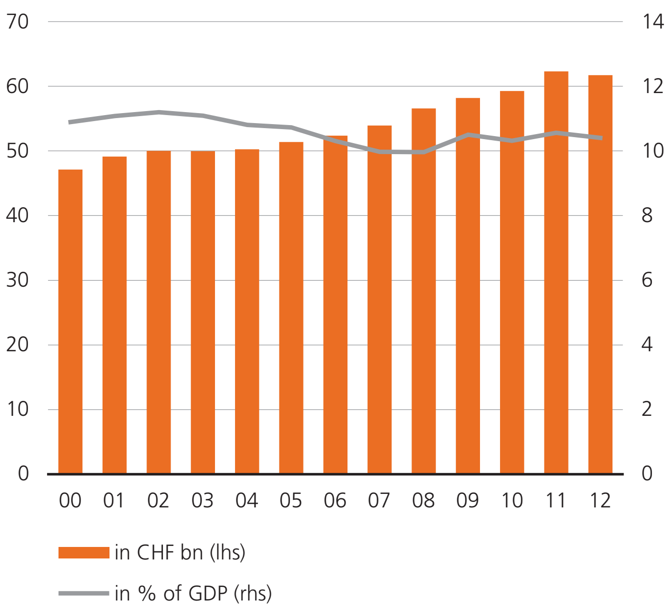
Development of expenditure by task area

CHF mn	Fin. stmt. 2011	Budget 2012	Fin. stmt. 2012	Deviation vs. FS 2011 Absolute	Deviation vs. FS 2011 %	Deviation vs. budget 2012 Absolute
Ordinary expenditure	**62 333**	**64 131**	**61 736**	**-597**	**-1.0**	**-2 395**
Social welfare	20 557	21 005	20 668	111	0.5	-337
Finances and taxes	9 954	10 345	9 380	-574	-5.8	-964
Transportation	8 062	8 467	8 130	68	0.8	-337
Education and research	6 509	6 681	6 664	156	2.4	-16
National defense	4 533	4 653	4 428	-106	-2.3	-225
Agriculture and food	3 663	3 728	3 711	48	1.3	-17
International relations - international cooperation	2 799	3 181	2 979	181	6.5	-202
Other task areas	5 839	6 071	5 775	-65	-1.1	-297

Note: In the case of "International relations", the value was adjusted for the SIFEM special factor in the 2011 financial statements (-416 mn; see box at the end of this section).

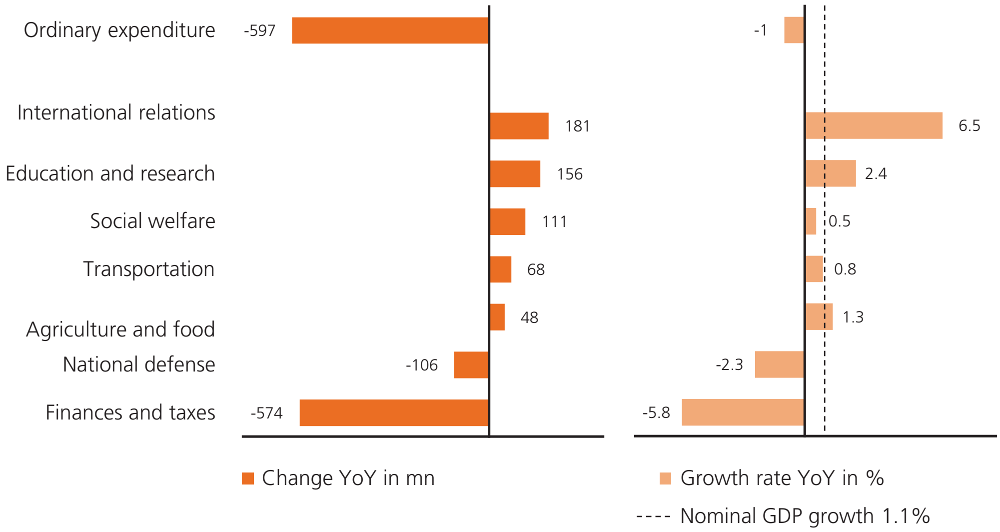
Overall federal expenditure declined by just under 600 million (-1.0%) compared with the previous year. However, the 2011 financial statements contained one-time expenditure for the package of measures to cushion the impact of the strong franc (834 mn) and for the capitalization of SIFEM AG (416 mn), which distorts the overall picture. However, the 2011 financial statements did not contain the entire supplementary financing for disability insurance (only three-quarters of the VAT supplement), whereas the entire supplement was assigned to IV in 2012 (+250 mn). When adjusted for these factors, expenditure growth amounted to 0.7%. This proved to be so moderate primarily because of the sharp decline in interest and debt management expenditure (-702 mn; -27%); the low interest rate environment led to exceptionally high issuing premiums, which are offset against interest expenditure.

Development of ordinary expenditure



Since 2006, expenditure has grown more or less at the same pace as nominal GDP; the general government expenditure ratio remained stable during this period. Before then, the 2003 and 2004 relief programs made for a slightly lower general government expenditure ratio.

Development of 2012 expenditure by task area in mn and %



The "Education and research" and "International relations" (development cooperation) task areas grew the most in both percentage and absolute terms. Overall, however, expenditure declined thanks to low interest rates and special factors.

Expenditure was around 2.4 billion (3.7%) lower than expected in the 2012 budget. Of this amount, 1 billion was attributable to the finances and taxes task area (interest expenditure/issuing premiums). Various task areas accounted for the remainder. The largest unutilized credits were to be found in social welfare (337 mn) and transportation (337 mn), which were partly attributable to a lower level of restricted receipts in both areas. Unutilized credits of more than 200 million also resulted in national defense.

The development of the seven largest task areas is commented on below. The level of expenditure for 2012 and year-on-year growth are indicated in parentheses for each task area.

Social welfare (20.7 bn, +0.5%): the growth rate in the largest task area (+111 million) turned out to be lower than usual. The non-recurrence of the special contribution of 500 million to unemployment insurance in 2011 as part of measures to cushion the effects of the strong franc almost entirely compensated for the strong rise in expenditure on migration (more asylum applications; +208 mn) and growth in old age and survivors' insurance (demographic development; +155 mn) and disability insurance (+150 mn). The ordinary federal contribution to disability insurance (37.7% of IV expenditure) declined for the first time in many years (-90 mn); the growth here was exclusively attributable to the above-mentioned introductory effect of the VAT supplement in favor of disability insurance. There was also a sharp rise in expenditure on supplementary benefits (+61 mn; +4.7%). By contrast, contributions to individual health insurance premium reductions grew much less sharply (+36 mn; +1.7%).

Finances and taxes (9.4 bn, -5.8%): expenditure in the finances and taxes task area declined once again (-574 mn). The Confederation benefited significantly from low interest rates (high premiums when reopening outstanding bonds) and the debt reduction of previous years. Overall, expenditure on funding and on asset and debt management declined by more than 700 million. By contrast, third parties' share in federal receipts (particularly direct federal tax, withholding tax, and mileage-related heavy vehicle charge) worked out higher than the previous year (+75 mn), as did fiscal equalization contributions (+53 mn).

Transportation (8.1 bn, +0.8%): transportation expenditure increased by 68 million relative to the previous year. Expenditure on road transportation rose by 251 million, above all because a higher proportion of the deposit in the infrastructure fund was assignable to roads (+196 mn), and because of a rise in expenditure on the operation, maintenance and extension of motorways (+58 mn). The Confederation spent 212 million less on public transportation than the previous year. This can be explained on the one hand by the fact that a smaller proportion of the deposit in the infrastructure fund was assigned to public transportation (-121 mn), while on the other there was a decline in both deposits in the FinPT fund (-120 mn, above all due to lower receipts from the mileage-related heavy vehicle charge) and contributions to the transfer of freight traffic (-62 mn). By contrast, there was a year-on-year rise in expenditure on regional passenger transportation (+52 mn) and in contributions to the Swiss Federal Railways and privately operated railways within the scope of service level agreements (+27 mn). Expenditure on air transportation rose by 28 million relative to 2011.

Education and research (6.7 bn, +2.4%): expenditure on education and research was 156 million higher in 2012 than in the previous year. When adjusted for measures to cushion the strength of the franc, for which the one-time sum of 195 million was allocated in 2011, the increase amounted to 351 million (+5.6%). A substantial proportion of the increase related to vocational education (+93 mn); this is in keeping with the federal government's efforts to achieve a guideline figure of a quarter of public expenditure on vocational education. Universities (+32 mn), particularly cantonal universities and universities of applied sciences, and research (+31 mn) accounted for the remainder of the increase. In both areas, a substantial amount was allocated the previous year to cushion the impact of the strong franc; the funds for the ordinary performance of tasks therefore rose more sharply than the absolute figures might suggest.

National defense (4.4 bn, -2.3%): the decline in growth in expenditure on national defense was due to the lower expenditure on armaments (-167 mn) and the lower contribution to the UN (-43 mn with respect to the share attributed to national defense). By contrast, there was an increase in expenditure on real estate (+39 mn) and general supplies and equipment for the army (+37 mn). Finally, from 2012 onward, some of the expenditure on intelligence is being assigned to the national defense task area (+19 mn); in 2011, this expense item was still reported under the order and public security task area.

Agriculture and food (3.7 bn, +1.3%): a good three-quarters of agriculture expenditure related to direct payments, which rose slightly relative to the previous year (+14 mn; +0.5%). Expenditure in the area of production and sales remained at the previous year's level (-1 mn), whereas considerably more was spent on fundamental improvements and social measures than in 2011 (+45 mn). The reason for this is that parliament boosted the corresponding payment frameworks for 2012 in 2013, thereby canceling out some of the adjustment for inflation from the 2012-2013 consolidation program.

International relations – international cooperation (3.0 bn, +6.5%): international relations posted the strongest growth of all task areas in percentage terms. This was primarily the result of the increase in funding for development aid approved by parliament; the aim is to increase the ratio of official development assistance (ODA) to 0.5% of gross national income by 2015. Accordingly, development assistance expenditure increased by 163 million (+8.4%). In addition, expenditure on contributions to EU enlargement also worked out higher than the previous year (+27 mn), despite project delays. By contrast, expenditure on political relations and economic relations declined slightly (-7 mn and -3 mn, respectively) due to more favorable exchange rates, among other things.

Distorting effect in connection with SIFEM AG

In 2011, the investment activity of SECO with respect to private companies in developing and transition countries was outsourced to the development financing company SIFEM AG (Swiss Investment Fund for Emerging Markets). The granting of a loan to SIFEM AG to increase equity capital resulted in investment expenditure of 416 million. At the same time, receipts to the same amount were generated from the sale of the investment portfolio of SECO to SIFEM AG and from the capitalization and closure of two accounts used to process the operating activities of SIFEM; from a budget perspective, therefore, the transaction was neutral. The figures for the *international relations – international cooperation* task area have been adjusted for the SIFEM special factor in all tables (see corresponding footnotes). However, the Confederation's total expenditure and investment expenditure, which were also affected (see section 25), have not been adjusted.

33 Development of expenses by account group

The Confederation's operating expenses and transfer expenses grew only moderately year-on-year due to special factors; financial expense declined by more than 20%. Overall, expenses were 0.5% lower than in the 2011 financial statements.

Expenses by account group

CHF mn	Fin. stmt. 2011	Budget 2012	Fin. stmt. 2012	Deviation vs. FS 2011 Absolute	%
Ordinary expenses	**62 680**	**63 878**	**62 336**	**-344**	**-0.5**
Operating expenses	**12 230**	**12 804**	**12 304**	**73**	**0.6**
Personnel expenses	4 923	5 278	5 060	137	2.8
General, administrative and operating expenses	3 983	4 300	4 029	46	1.2
Defense expenses	1 163	1 037	997	-166	-14.3
Deprec., amortiz. tangible/intangible fixed assets	2 162	2 190	2 218	56	2.6
Transfer expenses	**46 994**	**48 221**	**47 332**	**338**	**0.7**
Third parties' share in federal income	8 549	8 874	8 687	138	1.6
Compensation to public bodies	856	981	1 015	159	18.6
Contributions to own institutions	2 971	3 078	3 093	122	4.1
Contributions to third parties	14 317	14 883	14 619	302	2.1
Contributions to social insurance	15 754	15 671	15 399	-355	-2.3
Value adjustment on investment contributions	4 160	4 355	4 101	-59	-1.4
Value adjustment on loans and financial interests	386	378	417	31	8.0
Financial expense	**3 428**	**2 789**	**2 664**	**-764**	**-22.3**
Interest expense	2 669	2 602	2 406	-263	-9.9
Decrease in equity values	440	–	–	-440	-100.0
Other financial expense	320	186	258	-62	-19.3
Net expense for restricted funds in liabilities	**27**	**64**	**37**	**10**	**35.2**

The Confederation's expenses were 344 million lower than in the previous year (-0.5%). Compared with the 2011 financial statements, operating expenses increased only modestly (+0.6%), primarily as a result of the decline in defense expenses. The growth in transfer expenses was also comparatively small at 0.7%; however, when adjusted both for measures to cushion the strength of the franc in the 2011 financial statements and for IV supplementary financing, the growth works out higher (+1.7%). Finally, financial expense plunged relative to the previous year (-22.3%).

Operating expenses

Personnel expenses and general, administrative and operating expenses accounted for just under three-quarters of all operating expenses. The remainder was divided between the more volatile defense expenses and depreciation and amortization of tangible and intangible fixed assets.

Personnel expenses worked out 137 million higher than the previous year. The lion's share of this increase (+106 mn) was attributable to wage measures (cost-of-living adjustment of 0.4%, real wage increase of 0.8%) and higher employee headcount (+255 full-time positions, higher costs for local FDFA staff). A further contributory factor was the accompanying measures for the change in the basic calculation of pensions at PUBLICA (+15.5 mn). In addition, there were year-on-year rises in expenses for employer benefits (particularly bridging pensions) and early retirement for certain categories of staff (+12 mn), as well as other personnel expenses (+5 mn). By contrast, expenditure on restructuring in connection with the social plan declined by 3 million.

General, administrative and operating expenses rose by 1.2% relative to 2011. Here it was motorway expenses that experienced the strongest growth (+63 mn). Also higher than in 2011 were operating expenses (+38 mn), as a result of higher army expenses as well as higher expenditure in the asylum area. By contrast, there was a decline in expenses for goods and materials due to a change in accounting practice for the provision for coins in circulation (-54 mn); when adjusted for this factor, this item remained at the level of the previous year.

The fact that *defense expenses* would record a year-on-year decline was evident from the 2012 budget. Whereas in 2011 unutilized credits from earlier years could be used under the rules governing the army's expenditure ceiling, the debt brake rules did not permit this in 2012. Accordingly, defense expenses worked out 166 million lower than the previous year.

Depreciation and amortization of tangible and intangible fixed assets worked out 56 million higher than the previous year. More than half of this increase was attributable to IT and intangible fixed assets (+34 mn); the main reason for the increase was the depreciation on the now valueless part of the aborted INSIEME project. In addition, depreciation on buildings and land (+17 mn) and on motorways (+9 mn) was higher than the previous year.

Transfer expenses

The development of transfer expenses is characterized by special factors. On the one hand, the 2011 financial statements contained expenditure of more than 700 million to cushion the impact of the strong franc, while on the other hand the IV supplementary financing (0.4% VAT supplement) did not feed through fully until 2012. When adjusted for these effects, the growth in transfer expenses amounts to 1.7%.

Third parties' share in federal revenue rose by 138 million year-on-year. However, this growth was exclusively attributable to the fact that only three-quarters of the impact of the VAT supplement fed through in the introductory year of 2011, whereas the full annual amount was credited to disability insurance in 2012. Excluding this effect, third parties' share worked out lower than the previous year, above all due to lower reimbursement of incentive fees (CO_2, volatile organic compounds). The cantons' share of federal receipts worked out almost exactly the same as in 2011.

Almost 90% of *compensation to public bodies* is made up of contributions to the cantons in the area of asylum. The higher number of asylum-seekers led to higher administrative expenses and higher social welfare expenditure in the cantons; this explains the strong growth in the corresponding federal contributions (+159 mn).

The increase in the Confederation's *contributions to own institutions* (+122 mn) was attributable first to the reclassification of contributions to Skyguide and Pro Helvetia (43 mn and 34 mn, respectively), which in 2011 were still accounted for under contributions to third parties. In addition, contributions to the ETH Domain worked out higher than the previous year (despite the non-recurrence of measures to cushion the impact of the strong franc; +34 mn), as did the compensation payment to Swiss Post to reduce the cost of newspaper transportation (+20 mn).

Contributions to third parties posted a year-on-year rise of a good 300 million (+2.1%). Of this increase, 53 million related to fiscal equalization and 63 million to contributions to international organizations, particularly in the areas of education and research (EU Research Framework Program) and development cooperation. The growth in other contributions to third parties (+186 mn) was likewise attributable primarily to these two strongly growing task areas.

Running counter to the long-term trend was the decline in *contributions to social insurance*, which decreased by 355 million compared with the 2011 financial statements. In particular, there was a decline in the contribution to unemployment insurance (-484 mn; non-recurrence of the 2011 special contribution as part of the measures to cushion the impact of the strong franc) and – thanks to the reforms within the scope of the fifth revision of disability insurance – in the federal contribution to disability insurance (-90 mn). By contrast, the federal contribution to AHV (+159 mn) rose year-on-year, as did other contributions to social insurance (including supplementary benefits, individual premium reductions; +59 mn).

Overall, the *value adjustment on investment contributions* and *on loans and financial interests* worked out slightly lower than the previous year (-28 mn). Whereas the less volatile value adjustment on investment contributions declined by 58 million, the value adjustment on loans and financial interests, which is heavily influenced by special factors (including the outsourcing of SIFEM and the loan to the Swiss Association for Hotel Credit) worked out 31 million higher than in the 2011 financial statements.

Financial expense

Financial expense came in a good 20% lower than in the 2011 financial statements (-764 mn). On the one hand, *interest expense* on bonds and other financial instruments fell as a result of low interest rates and declining debt (-263 mn). On the other, in 2012 – in contrast to 2011 – there was no decline in equity capital (or rather the Confederation's share thereof) in the federal companies (significant interests such as Swisscom, Swiss Post and SBB) that are valued according to the *equity method* (-440 mn). *Other financial expense* worked out lower than in 2011 (-62 mn) due to lower currency losses.

Net expense for restricted funds in liabilities

Restricted funds in liabilities include the special financing for incentive fees (CO_2, VOC), as well as the casino tax and contaminated site fund. A net expense means that the restricted receipts worked out higher than the expenditure financed by the fund. The difference is credited to the fund and charged to the statement of financial performance accordingly. In 2012, the net expense in restricted funds was 10 million higher than in 2011.

04 OUTLOOK

2012 was a difficult year for Switzerland due to the recession in the eurozone. However, the economy proved relatively crisis-resistant, just as it did in 2009-2010, and the public finances are also healthy. Despite this favorable situation, the Confederation's freedom of maneuver in terms of fiscal policy has become more limited and the nearer-term risks are high. In order to preserve a degree of flexibility, the Federal Council launched the 2014 consolidation and task evaluation package ("KAP 2014").

After the deep recession of 2009, the Swiss economy rebounded remarkably quickly. This is also evident in an international comparison. Switzerland was able to return to the pre-crisis level of GDP by the middle of 2010. The reasons for this can be found in the crisis-resistant branches of the export industry, such as watchmaking and pharmaceuticals, and in robust domestic demand, which was supported to no small degree by a high level of immigration.

From mid-2011 onward, the financial and economic crisis swiftly metamorphosed into a debt and euro crisis. The slump in receipts together with costly stimulation measures resulted in a massive increase in public sector indebtedness in much of Europe and elsewhere. In addition, the crisis laid bare a number of major structural problems and imbalances in the eurozone. Although the financial markets were successfully calmed, the eurozone fell into recession in 2012.

This backdrop, together with the persistently strong franc, made last year a difficult one for Switzerland. But in 2012 too, the Swiss economy showed itself to be highly resilient to crises; aside from the reasons cited above, the exchange rate floor also contributed to this. Switzerland is thus in a good position. Apart from anything else, the public finances are in a healthy state, and debt is low by international standards. At federal level, the debt brake policy applied since 2003 made a significant contribution – both before and after the crisis – to the healthy fiscal policy situation.

That said, Switzerland's freedom of maneuver as regards fiscal policy will remain limited in the future. This is evident from the financing surpluses and structural balances, both of which have declined since 2008. It is difficult to discern other areas that can bring relief: Switzerland can no longer count on new "windfall profits", such as low interest expenditure thanks to high issuing premiums (2011 and 2012) or additional receipts from the new method of assessing withholding tax (2012 onward). Meanwhile, the ongoing benefits of lower interest expenditure as a result of debt reduction (around 1 bn) have already been incorporated into the budget.

At the same time, increased risks for economic development and public finances are to be anticipated. Looming particularly large here are the possibility of persistently weak growth in the eurozone and a resurgence of the euro crisis, the uncertain outcome of the tax dialogue with the EU and the repercussions of potential tax reforms, and the uncoordinated introduction of further tax reforms associated with significantly lower receipts.

Against this backdrop, the Federal Council is keen to preserve a small degree of flexibility in fiscal policy. For this reason, and also as instructed by the Finance Committees, it put together the 2014 consolidation and task evaluation package in December 2012, which provides for savings of 570 million compared with the applicable 2014-2016 financial plan.

51 Financing and flow of funds statement

Financing statement

CHF mn	Fin. stmt. 2011	Budget 2012	Fin. stmt. 2012	Deviation vs. FS 2011 Absolute	%
Overall fiscal balance	**205**	**620**	**2 000**	**1 795**	
Ordinary fiscal balance	**1 912**	**-14**	**1 262**	**-651**	
Ordinary receipts	**64 245**	**64 117**	**62 997**	**-1 248**	**-1.9**
Tax receipts	**58 996**	**59 914**	**58 788**	**-208**	**-0.4**
Direct federal tax	17 891	18 759	18 342	451	2.5
Withholding tax	4 861	4 186	4 335	-526	-10.8
Stamp duty	2 857	2 445	2 136	-721	-25.2
Value added tax	21 642	22 550	22 050	408	1.9
Other consumption taxes	7 341	7 435	7 543	202	2.8
Misc. tax receipts	4 405	4 539	4 383	-22	-0.5
Royalties and concessions	**1 410**	**924**	**938**	**-472**	**-33.5**
Financial receipts	**1 601**	**1 337**	**1 328**	**-273**	**-17.1**
Financial interest receipts	838	840	867	29	3.5
Other financial receipts	763	497	461	-303	-39.6
Other current receipts	**1 645**	**1 691**	**1 721**	**76**	**4.6**
Investment receipts	**593**	**252**	**222**	**-371**	**-62.5**
Ordinary expenditure	**62 333**	**64 131**	**61 736**	**-597**	**-1.0**
Operating expenditure	**9 789**	**10 311**	**9 940**	**150**	**1.5**
Personnel expenditure	4 945	5 278	5 070	125	2.5
General, administrative and operating expenditure	3 682	3 996	3 873	192	5.2
Defense expenditure	1 163	1 037	997	-166	-14.3
Current transfer expenditure	**42 494**	**43 554**	**42 882**	**388**	**0.9**
Third parties' share in federal receipts	8 549	8 874	8 687	138	1.6
Compensation to public bodies	856	976	1 036	180	21.0
Contributions to own institutions	2 971	3 078	3 093	122	4.1
Contributions to third parties	14 316	14 883	14 594	278	1.9
Contributions to social insurance	15 802	15 743	15 472	-330	-2.1
Financial expenditure	**2 605**	**2 889**	**1 906**	**-699**	**-26.8**
Interest expenditure	2 380	2 773	1 736	-644	-27.1
Other financial expenditure	225	116	171	-55	-24.3
Investment expenditure	**7 444**	**7 377**	**7 007**	**-437**	**-5.9**
Tangible fixed assets and inventories	2 270	2 494	2 359	89	3.9
Intangible fixed assets	50	53	47	-3	-6.2
Loans	854	422	480	-374	-43.8
Financial interests	110	52	20	-90	-82.0
Investment contributions	4 160	4 355	4 101	-59	-1.4
Extraordinary receipts	**290**	**634**	**738**	**448**	
Extraordinary expenditure	**1 998**	**–**	**–**	**-1 998**	

The financing and flow of funds statement (FFFS) is used on the one hand for determining the total financing requirements resulting from the difference between the Confederation's expenditure and receipts (*financing statement*). On the other, it shows how these requirements are to be covered (*flow of funds statement*; see next page) as well as which items in the statement of financial position change as a result (evidence *"Federal fund"*).

The FFFS is prepared according to the direct method. All flows of funds are taken directly from the individual items in the statement of financial performance, the statement of investments and the statement of financial position.

Flow of funds statement

CHF mn	Fin. stmt. 2011	Fin. stmt. 2012	Deviation vs. FS 2011 Absolute	%
Total flow of funds	**298**	**3 493**	**3 196**	**1 073.4**
Flow of funds from operations (overall fiscal balance)	**205**	**2 000**	**1 795**	**877.2**
Flow of funds from financial investments	**-507**	**845**	**1 352**	**266.9**
Short-term financial investments	-1 400	403	1 803	128.8
Long-term financial investments	893	442	-452	-50.6
Flow of funds from debt financing	**600**	**648**	**49**	**8.1**
Short-term financial liabilities	1 477	2 271	794	53.7
Long-term financial liabilities	-1 449	-1 269	180	12.4
Liabilities for separate accounts	534	-379	-913	-171.0
Special funds	37	26	-11	-30.5

"Federal fund" statement

CHF mn	2011	2012	Deviation vs. 2011 Absolute	%
Fund status as of 1.1.	**-3 502**	**-3 204**	**298**	**8.5**
Fund status as of 31.12.	**-3 204**	**289**	**3 493**	**109.0**
Status as of 31.12.:				
Cash and cash equivalents	5 544	9 311	3 767	67.9
Receivables w/o allowance for doubtful accounts	6 356	6 590	234	3.7
Current liabilities incl. withholding tax accrual	-15 104	-15 612	-508	-3.4

Note: Only fund-relevant changes are taken into account, which is why there may be deviations from the change in the corresponding items in the statement of financial position.

Result of the financing and flow of funds statement

An inflow of funds of 3.5 billion was posted in 2012. Most of this came from the surplus in the financing statement (2.0 bn; *flow of funds from operating activities*).

In addition, the reduction of financial investments (845 mn; *flow of funds from financial investments*) and higher liabilities (648 mn; *flow of funds from debt financing*) resulted in an inflow of funds. The corresponding transactions were recorded directly in the statement of financial position

The positive balance of the *"Federal fund"* in 2012 (289 mn) showed that cash and other liquid assets and receivables exceeded current liabilities (including withholding tax accrual) at the end of the year. The increase in the "Federal Fund" (3,493 mn) corresponds to the total flow of funds for 2012.

Differences relative to the cash flow statement

The financing and flow of funds statement (FFFS) differs from the cash flow statement in accordance with the International Public Sector Accounting Standards (IPSAS) in terms of the structure and the content of the underlying fund:

- While the IPSAS prescribe a three-level structure according to operating activities (operating cash flow), investing activities (investing cash flow) and financing activities (financing cash flow), the FFFS, because of the debt brake requirements, makes a distinction between two levels, which are the overall fiscal balance and the flow of funds from financial investments as well as the flow of funds from debt financing.

- Unlike the "Cash and other liquid assets" fund which is relevant for IPSAS, the "Federal fund" includes amounts due from creditors (receivables) and amounts due to creditors (current liabilities) in addition to cash flows. This extended fund definition is based on the specifications of the Budget Act. A booked account payable already constitutes expenditure on the credit side. Restricting recognition to pure cash flows would not be in line with this.

52 Statement of financial performance

CHF mn	Fin. stmt. 2011	Budget 2012	Fin. stmt. 2012	Deviation vs. FS 2011 Absolute	%
Surplus/deficit	**2 094**	**744**	**2 443**	**349**	**16.7**
Ordinary result (incl. financial result)	**3 013**	**110**	**1 705**	**-1 308**	**-43.4**
Operating result (excl. financial result)	**4 306**	**1 533**	**1 527**	**-2 779**	**-64.5**
Revenue	**63 557**	**62 623**	**61 199**	**-2 358**	**-3.7**
Tax revenue	**60 096**	**59 914**	**58 288**	**-1 808**	**-3.0**
Direct federal tax	17 891	18 759	18 342	451	2.5
Withholding tax	5 961	4 186	3 835	-2 126	-35.7
Stamp duty	2 857	2 445	2 136	-721	-25.2
Value added tax	21 642	22 550	22 050	408	1.9
Other consumption taxes	7 341	7 435	7 543	202	2.8
Misc. tax revenue	4 405	4 539	4 383	-22	-0.5
Royalties and concessions	**1 403**	**925**	**995**	**-409**	**-29.1**
Other revenue	**1 880**	**1 779**	**1 852**	**-28**	**-1.5**
Net revenue from restricted funds in liabilities	**178**	**5**	**64**	**-113**	**-63.8**
Expenses	**59 252**	**61 089**	**59 672**	**421**	**0.7**
Operating expenses	**12 230**	**12 804**	**12 304**	**73**	**0.6**
Personnel expenses	4 923	5 278	5 060	137	2.8
General, administrative and operating expenses	3 983	4 300	4 029	46	1.2
Defense expenses	1 163	1 037	997	-166	-14.3
Deprec., amortiz. tangible/intangible fixed assets	2 162	2 190	2 218	56	2.6
Transfer expenses	**46 994**	**48 221**	**47 332**	**338**	**0.7**
Third parties' share in federal income	8 549	8 874	8 687	138	1.6
Compensation to public bodies	856	981	1 015	159	18.6
Contributions to own institutions	2 971	3 078	3 093	122	4.1
Contributions to third parties	14 317	14 883	14 619	302	2.1
Contributions to social insurance	15 754	15 671	15 399	-355	-2.3
Value adjustment on investment contributions	4 160	4 355	4 101	-59	-1.4
Value adjustment on loans and financial interests	386	378	417	31	8.0
Net expense for restricted funds in liabilities	**27**	**64**	**37**	**10**	**35.2**
Financial result (expenditure surplus)	**-1 293**	**-1 423**	**178**	**1 471**	**86.2**
Financial revenue	**2 136**	**1 365**	**2 842**	**707**	**33.1**
Increase in equity values	1 256	840	2 285	1 030	82.0
Other financial revenue	880	525	557	-323	-36.7
Financial expense	**3 428**	**2 789**	**2 664**	**-764**	**-22.3**
Interest expense	2 669	2 602	2 406	-263	-9.9
Decrease in equity values	440	–	–	-440	-100.0
Other financial expense	320	186	258	-62	-19.3
Extraordinary revenue	**229**	**634**	**738**	**509**	**222.1**
Extraordinary expenses	**1 148**	**–**	**–**	**-1 148**	**-100.0**

CHF mn	Fin. stmt. 2011	Budget 2012	Fin. stmt. 2012	Deviation vs. FS 2011 Absolute	%
Ordinary result (incl. financial result)	**3 013**	**110**	**1 705**	**-1 308**	**-43.4**
Ordinary revenue	**65 693**	**63 988**	**64 041**	**-1 652**	**-2.5**
Revenue	63 557	62 623	61 199	-2 358	-3.7
Financial revenue	2 136	1 365	2 842	707	33.1
Ordinary expenses	**62 680**	**63 878**	**62 336**	**-344**	**-0.5**
Expenses	59 252	61 089	59 672	421	0.7
Financial expense	3 428	2 789	2 664	-764	-22.3

53 Statement of financial position

CHF mn	2011	2012	Deviation vs. 2011 Absolute	%
Assets	**104 526**	**108 968**	**4 442**	**4.2**
Non-administrative assets	**29 526**	**32 543**	**3 016**	**10.2**
Current assets	**14 674**	**18 132**	**3 458**	**23.6**
Cash and cash equivalents	5 544	9 311	3 767	67.9
Receivables	5 862	6 163	301	5.1
Short-term financial investments	1 959	1 504	-455	-23.2
Prepaid expenses and accrued income	1 308	1 153	-155	-11.9
Non-current assets	**14 852**	**14 411**	**-442**	**-3.0**
Long-term financial investments	14 683	14 241	-442	-3.0
Receivables from restricted funds in liabilities	170	170	0	0.1
Administrative assets	**75 000**	**76 426**	**1 426**	**1.9**
Current assets	**284**	**277**	**-7**	**-2.6**
Inventories	284	277	-7	-2.6
Non-current assets	**74 716**	**76 149**	**1 433**	**1.9**
Tangible fixed assets	52 176	52 325	149	0.3
Intangible fixed assets	204	210	6	2.9
Loans	3 621	3 482	-139	-3.8
Financial interests	18 714	20 132	1 418	7.6
Liabilities and equity	**104 526**	**108 968**	**4 442**	**4.2**
Short-term liabilities	**33 988**	**37 205**	**3 217**	**9.5**
Current liabilities	14 151	15 096	944	6.7
Short-term financial liabilities	14 333	16 435	2 102	14.7
Accrued expenses and deferred income	5 203	5 377	174	3.3
Short-term provisions	301	297	-4	-1.2
Long-term liabilities	**97 939**	**96 763**	**-1 176**	**-1.2**
Long-term financial liabilities	82 032	80 876	-1 156	-1.4
Liabilities toward separate accounts	2 133	1 754	-379	-17.8
Long-term provisions	12 478	12 862	384	3.1
Payables to restricted funds in liabilities	1 296	1 272	-25	-1.9
Net assets/equity	**-27 400**	**-24 999**	**2 401**	**8.8**
Restricted funds in net assets/equity	3 803	4 418	615	16.2
Special funds	1 301	1 278	-24	-1.8
Reserves from global budget	176	225	48	27.2
Other net assets/equity	–	0	0	–
Accumulated deficit	-32 681	-30 920	1 761	5.4

54 Statement of investments

CHF mn	Fin. stmt. 2011	Budget 2012	Fin. stmt. 2012	Deviation vs. FS 2011 Absolute	%
Statement of investments balance	**-7 519**	**-7 125**	**-6 791**	**727**	
Ordinary statement of investments balance	**-6 959**	**-7 125**	**-6 791**	**168**	
Ordinary investment receipts	**593**	**252**	**222**	**-371**	**-62.5**
Buildings	36	54	40	3	9.6
Property, plant and equipment	4	5	4	0	8.2
Motorways	5	3	6	1	10.6
Loans	186	189	172	-14	-7.6
Financial interests	362	–	0	-361	-99.9
Investment contributions	–	–	0	0	–
Ordinary investment expenditure	**7 552**	**7 377**	**7 014**	**-538**	**-7.1**
Buildings	639	631	647	8	1.2
Property, plant and equipment	120	153	133	12	10.3
Inventories	109	132	106	-3	-2.6
Motorways	1 512	1 579	1 478	-34	-2.2
Intangible fixed assets	48	53	49	0	0.4
Loans	854	422	480	-374	-43.8
Financial interests	110	52	20	-90	-82.0
Investment contributions	4 160	4 355	4 102	-59	-1.4
Extraordinary investment receipts	**290**	**–**	**–**	**-290**	
Extraordinary investment expenditure	**850**	**–**	**–**	**-850**	

The statement of investments shows expenditure incurred for the acquisition and accumulation of assets which are required for the performance of functions and used over successive periods (administrative assets). It also shows the receipts resulting from the sale or redemption of these assets. Investments are capitalized under administrative assets in the statement of financial position. The investment expenditure shown in the tables also includes accruals and deferrals not recognized in the financing statement. As a result, these values may differ slightly from the values shown in the financing and flow of funds statement (2011: +108 mn; 2012: +7 mn).

Reconciliation statement of investments and other changes in recognized administrative assets

2012 CHF mn	Total	Tangible fixed assets	Inventories	Intangible fixed assets	Loans	Financial interests	Investment contributions
Status as of 1.1.	**75 000**	**52 176**	**284**	**204**	**3 621**	**18 714**	**–**
Investment receipts	-222	-50	–	–	-172	0	0
Investment expenditure	7 014	2 258	106	49	480	20	4 102
Other changes	-5 366	-2 059	-114	-43	-447	1 398	-4 101
Status as of 31.12.	**76 426**	**52 325**	**277**	**210**	**3 482**	**20 132**	**–**

2011 CHF mn	Total	Tangible fixed assets	Inventories	Intangible fixed assets	Loans	Financial interests	Investment contributions
Status as of 1.1.	**74 029**	**51 194**	**285**	**148**	**3 536**	**18 866**	**–**
Investment receipts	-884	-45	–	–	-186	-652	–
Investment expenditure	8 402	3 121	109	48	854	110	4 160
Other changes	-6 548	-2 094	-110	8	-582	390	-4 160
Status as of 31.12.	**75 000**	**52 176**	**284**	**204**	**3 621**	**18 714**	**–**

The reconciliation table shows the proportion of changes in administrative assets attributable to the statement of investments and the proportion attributable to other changes. Other changes include acquisitions and disposals not recognized in the statement of investments (e.g. retroactive capitalizations in the statement of financial performance, transactions recognized directly in net assets/equity, deliveries ex stock for inventories), and changes in the carrying amount due to depreciation, value adjustments, reversals, increases and decreases in the equity value of financial interests, or price changes in relation to inventories.

55 Statement of net assets/equity

CHF mn	Total net assets/equity	Restricted funds in net assets/equity	Special funds	Reserves from global budget	Accu-mulated deficit
Status as of 1.1.2011	**-29 502**	**4 048**	**1 287**	**114**	**-34 951**
Entry transfers in net assets/equity	–	-245	–	62	183
Change in special funds	8	–	14	–	-6
Total positions entered in net assets/equity	**8**	**-245**	**14**	**62**	**177**
Surplus or deficit	2 094	–	–	–	2 094
Total profit and loss entered	**2 102**	**-245**	**14**	**62**	**2 270**
Status as of 31.12.2011	**-27 400**	**3 803**	**1 301**	**176**	**-32 681**
Entry transfers in net assets/equity	–	615	19	48	-682
Change in special funds	-42	–	-42	–	–
Total positions entered in net assets/equity	**-42**	**615**	**-23**	**48**	**-682**
Surplus or deficit	2 443	–	–	–	2 443
Total profit and loss entered	**2 401**	**615**	**-23**	**48**	**1 761**
Status as of 31.12.2012	**-24 999**	**4 418**	**1 278**	**225**	**-30 920**

Negative net assets/equity declined from 27.4 billion to 25.0 billion in the year under review. The key contributory factor here was the surplus of 2.4 billion for the year. The sum of 545 million was credited to the special financing for FTA/WHO accompanying measures for the agri-food sector (transfer within net assets/equity).

Restricted funds in net assets/equity
Major changes occurred in the special financing for road transportation and for the FTA/WTO accompanying measures. There was an increase of 49 million in the *special financing for road transportation*. Among other things, this was attributable to the credit (amounting to 30 mn in total) that was booked in the year under review retroactively back to 2008 for revenue from rentals and road construction inspection agreements. The corresponding revenue had been correctly booked in the preceding years, but had not been credited to the special financing for road transportation. The *special financing for FTA/WTO accompanying measures for the agri-food sector* showed 545 million from restricted customs revenue. No expenditure was incurred.

Special funds in net assets/equity
The balance for special funds resulted in an asset outflow of 42 million. Following a review, asset adjustments were undertaken for the "Gottfried Keller Foundation" and "Berset Müller Foundation" special funds. Although two properties had been recognized in the federal statement of financial position, they were erroneously not displayed as assets of the special funds. The corresponding asset eliminations appear as a transfer within net assets/equity (19 mn).

Reserves from global budget
In 2012, the reserves from global budget increased by 48 million (balance of deposits less withdrawals).

Accumulated deficit
The accumulated deficit decreased by 1,761 million in the year under review. While the revenue surplus from the statement of financial performance (2,443 mn) resulted in a corresponding reduction, the accumulated deficit rose as a result of the increase in restricted funds in net assets/equity (615 mn), the creation of reserves from global budget (48 mn), and the transfer to special funds following the retroactive asset elimination (19 mn).

Function of the statement of net assets/equity
The statement of net assets/equity provides information on the effects of financial transactions recorded in the reporting period for assets and equity. Specifically, it indicates the expense and revenue items that are recognized directly in net assets/equity rather than in the statement of financial performance, and the impact of changes in reserves and restricted funds in net assets/equity.

International comparison of state finance indicators for 2012

in % of GDP	Tax-to-GDP ratio	General government expenditure ratio	Deficit/surplus ratio	Debt ratio	Gross debt ratio
Switzerland	**28.5**	**32.7**	**0.3**	**35.3**	**49.1**
EU - euro area	**n.s.**	**49.5**	**-3.3**	**93.6**	**100.6**
Germany	37.1	45.0	-0.2	81.8	87.6
France	44.2	56.2	-4.5	91.2	105.1
Italy	42.9	51.0	-3.0	127.8	127.0
Austria	42.1	51.8	-3.1	75.6	83.1
Belgium	44.0	53.7	-2.8	99.0	103.2
Netherlands	n.s.	50.4	-3.8	72.1	82.5
Norway	43.2	43.4	15.2	n.s.	44.7
Sweden	44.5	51.3	-0.3	37.7	48.6
United Kingdom	35.5	49.0	-6.6	89.5	105.3
USA	**25.1**	**40.2**	**-8.5**	**n.s.**	**109.8**
Canada	**31.0**	**41.2**	**-3.5**	**n.s.**	**85.8**
OECD Ø	**n.s.**	**42.6**	**-5.5**	**n.s.**	**108.7**

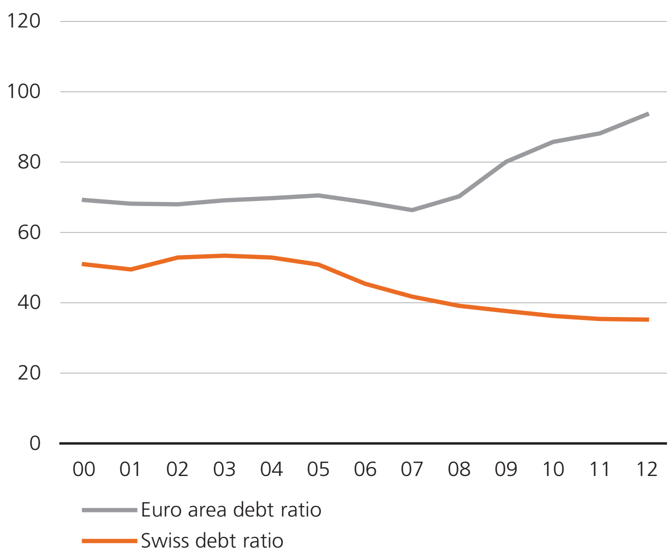
n.s.: not shown

Notes:
– Debt ratio: gross debt in accordance with financial statistics (FS model), with reference to the Maastricht definition.
– Gross debt ratio: debt in accordance with the IMF definition (liabilities without financial derivatives).
– Tax-to-GDP ratio: based on figures for 2011.

When compared internationally, the Swiss public finance indicators (Confederation, cantons, communes and social insurance) are among the lowest, which constitutes an important locational advantage. The *tax-to-GDP ratio*, which measures total tax receipts (tax and social insurance charges) in relation to GDP, amounted to 28.5% in 2011. Switzerland's *general government expenditure ratio*, defined as government expenditure in relation to GDP, remained one of the lowest in the OECD area. Switzerland's overall fiscal balance showed a slight *surplus ratio* of 0.3%. Consequently, Switzerland is one of the few countries to have achieved a surplus in 2012. Government debt remained low by international standards both with reference to the Maastricht definition and in terms of liabilities. Coming in at 35.3%, the *debt ratio* was still significantly below the 60% mark which is important for the euro area.

The OECD data and estimates (Economic Outlook 92, November 2012) are generally used for international comparisons of public finances. The information for Switzerland is based on the Financial Statistics data and estimates (interim evaluations of public finances 2011, February 2012). However, there could be minor differences relative to the results published by the OECD for Switzerland due to the use of a different data basis.

Comparison of Swiss and euro area debt ratios in % of GDP



Switzerland's debt ratio is still significantly below the 60% mark which is relevant for the countries of the euro area. In those countries, as well as in the United Kingdom, government debt soared after the start of the financial crisis.