

## Revenues

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## General Overview

The fiscal deficit witnessed a relative improvement in the first two months of 2019 compared to the same period in 2018, driven by a 12.6 percent decrease in expenditures due to lower capital and treasury expenditures (mainly transfers to municipalities). However, government revenues also dropped by 7.6 percent to reach LL 2,720 billion as treasury receipts declined by LL 271 billion.

The **total fiscal balance** recorded a deficit of LL 992 billion, compared to a wider deficit of LL 1,304 billion during the same period of 2018. In addition, the **primary balance** reached a deficit of LL 134 billion compared to LL 497 billion a year earlier, as interest payments rose by LL 51 billion in Jan-Feb 2019.

**Table 1: Summary of Fiscal Performance**

(LL billion)	Jan-Feb 2018	Jan-Feb 2019	% Change 2019/2018
<b>Total Budget and Treasury Receipts</b>	<b>2,944</b>	<b>2,720</b>	<b>-7.6%</b>
<b>Total Budget and Treasury Payments, of which</b>	<b>4,248</b>	<b>3,712</b>	<b>-12.6%</b>
•Interest Payments	771	822	6.6%
•Concessional loans principal payment <sup>1</sup>	36	36	-0.8%
•Primary Expenditures <sup>2</sup>	3,441	2,854	-17.0%
<b>Total (Deficit)/Surplus</b>	<b>(1,304)</b>	<b>(992)</b>	<b>-24.0%</b>
<b>Primary (Deficit)/Surplus</b>	<b>(497)</b>	<b>(134)</b>	<b>-73.0%</b>

Source: Ministry of Finance (MOF), Directorate General of Finance (DGF)

<sup>(1)</sup> Includes only Principal repayments of concessional loans earmarked for project financing

<sup>(2)</sup> Primary expenditures exclude debt related payments (Interest payments and Concessional loans principal repayment)

## Revenues

**Total revenues** decreased by LL 224 billion (7.6 percent) year-on-year to reach LL 2,720 billion in Jan-Feb 2019, driven by a significant decrease in treasury receipts of LL 271 billion (60.9 percent) and a LL 12 billion (3.2 percent) drop in non-tax revenues. The increase in tax revenues by LL 59 billion (2.8 percent) was not enough to offset the aforementioned decreases.

**Tax revenues** reached LL 2,178 billion increasing by LL 59 billion (2.8 percent) from a total of LL 2,119 billion during Jan-Feb 2018, mainly due to higher revenues from taxes on income, profits, and capital gains. Meanwhile, all other tax sub-categories dropped especially in domestic taxes on goods and services and taxes on property.

In details, **taxes on income, profits and capital gains** were up by LL 173 billion (25.5 percent) year-on-year in Jan-Feb 2019, driven by an increase in **taxes on interest income** by LL 192 billion (77.8 percent) to reach LL 440 billion<sup>1</sup>. In addition, **income tax on wages and salaries** also rose by LL 2 billion to reach LL 230 billion during the covered period. Meanwhile, **income tax on profits** and **income tax on capital gains & dividends** dropped by LL 9 billion and LL 6 billion respectively.

<sup>1</sup> Driven by higher interest rates on deposits, with an average of 9.05 percent in Jan-Feb 2019 compared to 6.52 percent in Jan-Feb 2018 for LL deposits, and a year-to-date average of 5.60 percent in 2019 compared to 3.94 percent in 2018 for FX deposits.

**Domestic taxes on goods and services** dropped by LL 57 billion year-on-year in Jan-Feb 2019 due to a LL 42 billion (5.7 percent) decline in **value added tax** - owing to the drop in VAT collected at customs by 10.3 percent and a smaller drop of 1 percent in VAT collected internally, as well as a drop of LL 11 billion (27.5 percent) in **private car registration fees**.

**Taxes on property** retracted by LL 48 billion (24.3 percent) in Jan-Feb 2019, mainly as **real estate registration fees** dropped by LL 36 billion (29.0 percent) mirroring the significant decline of 20.0 percent in the number of sold properties from the same period last year<sup>2</sup>.

**Taxes on international trade** dropped by LL 6 billion (2.0 percent) due to a drop in **custom fees** by LL 15 billion and **cars excise** by LL 17 billion - owing to a 22.2 percent decrease in the value of car imports. Yet the decrease was partially counterbalanced by a rise in collections from both **gasoline excise** and **tobacco excise** by LL 16 billion<sup>3</sup> and LL 9 billion<sup>4</sup> respectively.

Finally, **Other tax revenues (namely fiscal stamp fees)** decreased by LL 2 billion (1.4 percent) to reach LL 114 billion in Jan-Feb 2019.

**Non-tax revenues** decreased by LL 12 billion (3.2 percent) to reach LL 368 billion during Jan-Feb 2019. This was mainly due to a drop in **administrative fees and charges** by LL 44 billion (25.1 percent) reaching LL 133 billion over the covered period, as a result of lower collections in **vehicle control fees** by LL 45 billion (57.5 percent) and **passport fees/ General Security** by LL 5 billion (12.4 percent). This was also accompanied by a decline in **other non-tax revenues (mostly retirement deductibles)** that dropped by LL 10 billion (21.9 percent) to reach LL 35 billion during the mentioned period. In contrast, revenues from **Property income (namely rent of Rafic Hariri International Airport)** and **Transfers from the Telecom surplus** increased by LL 23 billion and LL 17 billion respectively.

**Treasury receipts** witnessed a sharp decrease by LL 271 billion to reach LL 174 billion in Jan-Feb 2019 compared to LL 445 during the same period of the 2018.

## Expenditures

**Total expenditures** witnessed a significant drop of LL 536 billion (12.6 percent) to reach LL 3,712 billion in Jan-Feb 2019 compared to LL 4,248 billion in Jan-Feb 2018.

Despite the overall drop, **current primary expenditures**<sup>5</sup> registered an increase of LL 170 billion (7.5 percent) reaching a total of LL 2,432 billion during the first two months of 2019. This was caused by a LL 341 billion rise in **personnel cost** as salaries, wages and related benefits increased by LL 94 billion, as well as a hike in retirement by LL 70 billion and end of service compensations by LL 206 billion. **Transfers to Electricité du Liban (EDL)** also increased by LL 56 billion (17.6 percent) during the same period of 2019. Meanwhile, other expenditure items dropped during the first two months of 2019, mainly (i) **transfers to hospitals** by LL 140 billion (70.2 percent), (ii) **others (judgments & reconciliations, mission costs, other)** by LL 51 billion (77.4 percent), (iii) payments for **external services** by LL 35 billion (49.0 percent), and (iv) payments for **fuel oil** by LL 28 billion (83.9 percent).

<sup>2</sup> As per the data from the General Directorate of Land Registry and Cadastre.

<sup>3</sup> With gasoline imports increasing year-on-year by 14.1 percent in volume during Jan-Feb 2019.

<sup>4</sup> Reflecting a rise in imports of tobacco from US\$ 18 million in Jan-Feb 2018 to US\$ 26 million in Jan-Feb 2019.

<sup>5</sup> Current primary expenditures represent current expenditures excluding interest payment and debt service.

**Interest payments** rose by LL 51 billion in Jan-Feb 2019 as interest payments due on domestic debt increased by LL 49 billion (8.2 percent), while interest payments on foreign currency debt rose slightly by LL 1 billion. **Foreign debt principal repayment** remained at the same level as the previous year with an amount of LL 36 billion.

**Capital expenditures** dropped by LL 354 billion to reach LL 167 billion in Jan-Feb 2019 due to lower (i) transfers to **CDR** by LL 48 billion (89.3 percent), (ii) **acquisitions of land and buildings** by LL 30 billion, and (iii) transfers to **Ministry of Public Work and Transport** by LL 16 billion (71.5 percent).

**Treasury expenditures** witnessed a significant decrease of LL 342 billion (59.7 percent) to reach LL 231 billion in Jan-Feb 2019, mainly due to a drop in payments to Municipalities by LL 432 billion to reach LL 83 billion during the period under consideration.

### Public Debt

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**Gross public debt** reached LL 128,518 billion by the end of February 2019, merely increasing by LL 171 billion (0.1 percent) from end-2018. On the other hand, net debt rose by 1.1 percent to LL 115,405 billion, due to the drop in public sector deposits that declined by 7.6 percent over the period under consideration.

**Local currency debt** decreased by 0.3 percent to register LL 77,634 billion as of end-February 2019, compared to LL 77,852 billion as of end-2018. In details, Local Currency Debt held by the Commercial Banks dropped by LL 316 billion (1.2 percent) to reach LL 27,086 billion, followed by a drop of LL 214 billion in other local currency debt holdings, with TBs held by Public Entities falling by LL 206 billion (2.1 percent) to reach LL 9,750 billion compared to LL 9,956 billion by the end of 2018. In contrast, TBs held by the Central Bank increased by LL 312 billion (0.8 percent) to reach LL 39,318 billion by the end of February 2019 from their end-2018 level.

The stock of **foreign currency debt** grew by LL 389 billion to reach LL 50,884 billion at end-February 2019, noting that the stock of market-issued Eurobonds remained unchanged at LL 46,678 billion. On the other hand, Bilateral, multilateral and foreign private sector loans rose by LL 20 billion, whereas Paris III related bonds and loans decreased slightly by LL 0.4 billion compared to the end of 2018.

## SECTION 1: REVENUE OUTCOME

**Table 2: Total Revenues**

(LL billion)	2018 Jan-Feb	2019 Jan-Feb	% Change 2019/2018
<b>Budget Revenues, of which</b>	<b>2,499</b>	<b>2,546</b>	<b>1.9%</b>
Tax Revenues	2,119	2,178	2.8%
Non-Tax Revenues	380	368	-3.2%
<b>Treasury Receipts</b>	<b>445</b>	<b>174</b>	<b>-60.9%</b>
<b>Total Revenues</b>	<b>2,944</b>	<b>2,720</b>	<b>-7.6%</b>

Source: MOF, DGF

**Table 3: Tax Revenues**

(LL billion)	2018 Jan-Feb	2019 Jan-Feb	% Change 2019/2018
<b>Tax Revenues:</b>	<b>2,119</b>	<b>2,178</b>	<b>2.8%</b>
<b>Taxes on Income, Profits, &amp; Capital Gains, of which</b>	<b>677</b>	<b>849</b>	<b>25.5%</b>
Income Tax on Profits	147	138	-6.0%
Income Tax on Wages and Salaries	228	230	0.8%
Income Tax on Capital Gains & Dividends	38	32	-15.2%
Tax on Interest Income (7%)	247	440	77.8%
Penalties on Income Tax	16	9	-42.0%
<b>Taxes on Property, of which:</b>	<b>199</b>	<b>151</b>	<b>-24.3%</b>
Built Property Tax	50	41	-17.6%
Real Estate Registration Fees	125	89	-29.0%
<b>Domestic Taxes on Goods &amp; Services, of which:</b>	<b>813</b>	<b>756</b>	<b>-7.0%</b>
Value Added Tax	740	698	-5.7%
Other Taxes on Goods and Services, of which:	64	51	-20.5%
Private Car Registration Fees	42	30	-27.5%
Passenger Departure Tax	22	21	-6.2%
<b>Taxes on International Trade, of which:</b>	<b>315</b>	<b>309</b>	<b>-2.0%</b>
Customs	124	109	-11.8%
Excises, of which:	192	200	4.2%
Gasoline Excise	104	120	15.8%
Tobacco Excise	20	29	44.4%
Cars Excise	66	50	-25.1%
<b>Other Tax Revenues (namely fiscal stamp fees)</b>	<b>115</b>	<b>114</b>	<b>-1.4%</b>

Source: MOF, DGF

**Table 4: Non-Tax Revenue**

(LL billion)	2018 Jan-Feb	2019 Jan-Feb	% Change 2019/2018
<b>Non-Tax Revenues</b>	<b>380</b>	<b>368</b>	<b>-3.2%</b>
<b>Income from Public Institutions and Government Properties, of which</b>	<b>152</b>	<b>195</b>	<b>28.7%</b>
Income from Non-Financial Public Enterprises, of which:	133	153	15.1%
<i>Revenues from Casino Du Liban</i>	24	22	-8.5%
<i>Revenues from Port of Beirut</i>	0	0	-
<i>Budget Surplus of National Lottery</i>	0	6	100.0%
<i>Transfer from the Telecom Surplus</i>	108	125	15.6%
Transfer from Public Financial Institution (BDL)	0	0	
Property Income (namely rent of Rafic Hariri International Airport)	18	41	128.5%
Other Income from Public Institutions (interests)	1	1	43.2%
<b>Administrative Fees &amp; Charges, of which:</b>	<b>177</b>	<b>133</b>	<b>-25.1%</b>
Administrative Fees, of which:	147	99	-32.5%
Notary Fees	12	10	-12.8%
Passport Fees/ General Security	44	38	-12.4%
Vehicle Control Fees	78	33	-57.5%
Judicial Fees	4	5	17.4%
Driving License Fees	4	3	-11.3%
Administrative Charges	9	12	30.4%
Sales (Official Gazette and License Number)	0	1	8.8%
Permit Fees (mostly work permit fees)	14	13	-8.9%
Other Administrative Fees & Charges	6	8	28.4%
<b>Penalties &amp; Confiscations</b>	<b>7</b>	<b>6</b>	<b>-18.4%</b>
<b>Other Non-Tax Revenues (mostly retirement deductibles)</b>	<b>44</b>	<b>35</b>	<b>-21.9%</b>

Source: MOF, DGF

## SECTION 2: EXPENDITURE OUTCOME

**Table 5: Expenditure by Economic Classification**

(LL billion)	2018 Jan-Feb	2019 Jan-Feb	% Change 2019/2018
<b>1. Current Expenditures</b>	<b>3,068</b>	<b>3,289</b>	<b>7.2%</b>
1.a Personnel Cost, of which	1,417	1,758	24.0%
Salaries, Wages and Related Items	962	1,056	9.8%
Retirement and End of Service Compensations, of which:	382	658	72.1%
Retirement	359	429	19.4%
End of Service	23	229	-
Transfers to Public Institutions to Cover Salaries	73	44	-40.1%
1.b Interest Payments 1/, of which:	771	822	6.6%
Domestic Interest Payments	600	649	8.2%
Foreign Interest Payments	171	173	0.8%
1.d Foreign Debt Principal Repayment	36	36	-0.8%
1.e Materials and Supplies, of which:	66	44	-32.6%
Nutrition	11	10	-12.8%
Fuel Oil	33	5	-83.9%
Medicaments	21	10	-51.8%
1.f External Services	71	36	-49.0%
1.g Various Transfers, of which:	434	505	16.4%
EDL 2/	320	376	17.6%
NSSF	0	0	-
Higher Council of Relief	0	0	-
Contributions to non-public sectors	58	63	8.8%
Transfers to Directorate General of Cereals and Beetroot 3/	0	12	-
1.h Other Current, of which:	268	76	-71.7%
Hospitals	199	59	-70.2%
Others (judgments & reconciliations, mission costs, other)	66	15	77.4%
1.i Other Financial expenses	1	0	-98.0%
1.j Interest Subsidy	4	12	189.9%
<b>2. Capital Expenditures</b>	<b>522</b>	<b>167</b>	<b>-68.0%</b>
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	30	0	-100.0%
2.b Equipment	21	24	9.9%
2.c Construction in Progress, of which:	394	62	-84.2%
Displaced Fund	10	0	-100.0%
Council of the South	0	19	-
CDR	54	6	-89.3%
Ministry of Public Work and Transport	23	6	-71.5%
Other of which:	54	30	-45.0%
Higher Council of Relief	1	2	187.3%
2.d Maintenance	74	80	8.5%
2.e Other Expenditures Related to Fixed Capital Assets	2	1	-42.6%
<b>3. Budget Advances 4/</b>	<b>51</b>	<b>3</b>	<b>-93.7%</b>
<b>4. Customs Administration (exc. Salaries and Wages) 5/</b>	<b>34</b>	<b>22</b>	<b>-37.1%</b>
<b>5. Treasury Expenditures 6/</b>	<b>572</b>	<b>231</b>	<b>-59.7%</b>
Municipalities	515	83	-83.9%
Guarantees	13	9	-34.5%
Deposits 7/	10	88	-
Other, of which:	34	51	50.1%
VAT Refund	33	32	-4.8%
<b>7. Total Expenditures (Excluding CDR Foreign Financed)</b>	<b>4,248</b>	<b>3,712</b>	<b>-12.6%</b>

Source: Statement of Account 36, Cashier Spending, Public Debt Department Figures, Fiscal Performance Gross Adjustment Figures

<sup>(1)</sup> For a detailed breakdown of interest payments, kindly refer to table 6.

<sup>(2)</sup> For a detailed breakdown of transfers to EDL, kindly refer to table 7. EDL has been reclassified to various transfers from "other treasury expenditures", following the reclassification of the 2009 Budget Proposal and in line with the Fiscal Performance.

<sup>(3)</sup> Transfers to Directorate General of Cereals and Beetroot include both administrative expenses and payments for wheat subsidy.

<sup>(4)</sup> Budget Advances were previously classified under "other". Given their growth, and in line with the Ministry of Finance's efforts to ensure transparency, they will be published in a separate line. They will be regularized at a later stage, and it is only after their regularization that they can be classified according to their economic nature in the budget system.

<sup>(5)</sup> Customs administrations include payments - excluding salaries and wages - made to customs and paid from customs cashiers. They can only be classified after Customs submit the supporting documents to the Directorate General of Finance.

<sup>(6)</sup> Starting December 2011, the Treasury expenditures section in the monthly, quarterly and yearly reports and its corresponding figures differ from the eponym section appearing in the Fiscal performance reports published by the Ministry of Finance because of the reclassification affecting certain payments from guarantees and treasury advances accounts which are manually reclassified in their budgetary economic classification articles.

<sup>(7)</sup> Deposit payments are payments made by the treasury to public administrations, institutions, municipalities, and funds, from revenues it has collected on their behalf.

**Table 6: Details of Debt Service Transactions<sup>1</sup>**

(LL billion)	2018 Jan-Feb	2019 Jan-Feb	% Change 2019/2018
<b>Interest Payments</b>	<b>771</b>	<b>822</b>	<b>6.6%</b>
Local Currency Debt	600	649	8.2%
Foreign Currency Debt, of which:	171	173	0.8%
Eurobond Coupon Interest*	157	157	0.0%
Special bond Coupon Interest*	0.6	0.1	-80.7%
Concessional Loans Interest Payments	13	15	13.9%
<b>Foreign Debt Principal Repayment</b>	<b>36</b>	<b>36</b>	<b>-0.8%</b>

Source: MOF, DGF

<sup>(1)</sup> Please note that the classification of debt service expenditures is now broken into two separate categories as follows: Interest Payments (as per GFS classification) and repayment of principal on concessional loans earmarked for project financing.

\* Includes general expenses related to the transaction

**Table 7: Transfers to EDL**

(LL billion)	2018 Jan-Feb	2019 Jan-Feb	% Change 2019/2018
<b>EDL of which:</b>	<b>320</b>	<b>376</b>	<b>17.6%</b>
Debt Service	6	1	-75.6%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	314	375	19.2%

Source: MOF, DGF

## SECTION 3: PUBLIC DEBT

**Table 8: Public Debt Outstanding by Holder as of End- February 2019**

(LL billion)	Dec-17	Dec-18	Feb-19	% Change Feb 19 - Dec 18
<b>Gross Public Debt</b>	<b>119,892</b>	<b>128,347</b>	<b>128,518</b>	<b>0.1%</b>
<b>Local Currency Debt</b>	<b>74,077</b>	<b>77,852</b>	<b>77,634</b>	<b>-0.3%</b>
* <i>Accrued Interest Included in Debt</i>	1,159	1,123	1,086	-3.3%
a. Central Bank	35,580	39,006	39,318	0.8%
b. Commercial Banks (Including REPOs) 1/	27,756	27,402	27,086	-1.2%
c. Other Local Currency Debt (T-bills), of which:	10,741	11,444	11,230	-1.9%
<i>Public Entities</i>	8,941	9,956	9,750	-2.1%
<i>Contractor bonds 2/</i>	166	166	133	-19.9%
<b>Foreign Currency Debt 3/</b>	<b>45,815</b>	<b>50,495</b>	<b>50,884</b>	<b>0.8%</b>
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,973	2,920	2,941	0.7%
b. Paris II Related Debt (Eurobonds and Loans) 4/	86	0	0	-
c. Paris III Related Debt (Eurobonds and Loans) 5/	452	344	343	-0.1%
d. Market-Issued Eurobonds	41,791	46,678	46,678	0.0%
e. Accrued Interest on Eurobonds	480	547	919	68.0%
f. Special T-bills in Foreign Currency 6/	33	6	3	-49.8%
<b>Public Sector Deposits</b>	<b>15,659</b>	<b>14,186</b>	<b>13,113</b>	<b>-7.6%</b>
<b>Net Debt 7/</b>	<b>104,233</b>	<b>114,161</b>	<b>115,405</b>	<b>1.1%</b>
<b>Gross Market Debt 8/</b>	<b>71,944</b>	<b>76,204</b>	<b>76,253</b>	<b>0.1%</b>
<b>% of Total Debt</b>	<b>60%</b>	<b>59%</b>	<b>59%</b>	<b>-</b>

Source: MOF, DGF

<sup>(1)</sup> REPOs are removed from central bank and added to commercial banks.

<sup>(2)</sup> Contractor bonds issued in LBP. Contractor bonds issued in USD are listed under "Special T-bills in foreign currency".

<sup>(3)</sup> Figures for Dec 17- Dec 18 may differ from previously published data due to updated information regarding bilateral and multilateral loans in the DMFAS system.

<sup>(4)</sup> Paris II related debt (Eurobonds and Loans) including a Eurobond originally issued at USD 1,870 billion to BDL in the context of the Paris II conference.

<sup>(5)</sup> Eurobonds Issued to Malaysia as part of its Paris III contribution, IBRD loan, UAE loan, first and second tranches of the French loan received in February 2008.

<sup>(6)</sup> Special Tbs in foreign currency (expropriation and contractor bonds).

<sup>(7)</sup> Net Debt is obtained by subtracting Public Sector Deposits from Gross Public Debt.

<sup>(8)</sup> Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, Paris II and Paris III related debt.





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