

TABLE OF CONTENTS

Revenues

Page 1-2

Expenditures

Page 2

Public Debt Developments

Page 2-3

General Overview

Public finances recorded a large deficit in the first month of 2018 relative to a budget surplus in the same month a year earlier, as primary expenditures more than doubled, driven by a higher wage bill, transfers to public institutions, and increases in capital spending. Government revenues increased by only 3.6 percent year-on-year, down from a 9.2 percent annual increase in the same month of 2017, mostly as a result of discrepancies in the timing of telecom transfers to the treasury. The **overall fiscal balance** recorded a deficit of LL 571 billion in January 2018, compared to a surplus of LL 548 billion in the same month of 2017, while the **primary balance** shifted to a deficit of LL 160 billion from a surplus of LL 891 billion.

Table 1: Summary of Fiscal Performance

(LL billion)	January 2017	January 2018	% Change 2018/2017
Total Budget and Treasury Receipts	1,828	1,895	3.6%
Total Budget and Treasury Payments, of which	1,281	2,466	92.5%
•Interest Payments	317	384	21.3%
•Concessional loans principal payment ¹	27	27	0.8%
•Primary Expenditures ²	938	2,055	119.2%
Total (Deficit)/Surplus	548	-571	-
Primary (Deficit)/Surplus	891	-160	-

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

⁽¹⁾ Includes only Principal repayments of concessional loans earmarked for project financing

⁽²⁾ Primary expenditures exclude debt related payments (Interest payments and Concessional loans principal repayment)

Revenues

Total revenues grew by 3.6 percent year-on-year to reach LL 1,895 billion in January 2018. However, non-tax revenues dropped significantly by 69.3 percent to reach LL 128 billion in the first month of the year.

Tax revenues increased by LL 100 billion (7.9 percent) year-on-year to reach LL 1,376 billion, with increases in all sub-components except for a slight decline in taxes on international trade. **Taxes on income, profits, and capital gains** rose by LL 51 billion (12.8 percent) year-on-year in January 2018, mainly due to an increase in **income tax on wages and salaries** (13.2 percent) and in **tax on interest income** (22.1 percent). As for taxes on property, **real estate registration fees** increased by LL 9 billion (14.2 percent), given that sales of properties increased by 23 percent from the same month last year. **Domestic taxes on goods and services** rose by LL 33 billion on an annual basis despite the drop in Passenger Departure tax by LL 9 billion to reach LL 582 billion in January 2018, with **value added tax** rising by LL 37 billion (7.2 percent) due in part to a 29 percent increase in VAT at customs. On the other hand, **taxes on international trade** dropped by one percent due to a drop in tobacco and cars excises by LL 9 billion and LL 4 billion respectively, yet the decrease was partially counterbalanced by an increase in gasoline excise by LL 6 billion. Other tax revenues (namely fiscal stamp fees) increased by LL 11 billion (19.0 percent) to reach LL 70 billion in January 2018.

Non-tax revenues significantly declined by LL 289 billion (69.3 percent) year-on-year to reach LL 128 billion in January 2018. This was initiated by the fall in **Income from Public Institutions and Government Properties**, specifically from **transfers from the Telecom Surplus** which decreased by LL 251 billion and from **property income** that dropped by LL 28 billion (74.4 percent). In addition, **administrative fees and charges** also declined by LL 23 billion (23.0 percent) to reach LL 78 billion in January 2018. Also, **vehicle control** fees dropped by LL 25 billion (45.1 percent) reaching LL 31 billion. The above decreases were partly counterbalanced by an LL 11 billion increase in other non-tax revenues.

Treasury receipts witnessed a sharp increase by LL 256 billion to reach LL 391 billion in January 2018 compared to an annual decrease of LL 55 billion in January 2017.

Expenditures

Total expenditures grew largely by 92.5 percent to reach LL 2,466 billion in January 2018 due to the higher spending in almost all sub-categories.

Current primary expenditures¹ grew by LL 416 billion to reach LL 1,228 billion in January 2018, as a result of a hike in personnel cost of LL 166 billion driven by salaries and wages that increased by LL 126 billion. Other annual increases in January include (i) **transfers to hospitals** that rose by LL 161 billion, (ii) **contributions to non-public sectors** that grew by LL 25 billion (86.1 percent), and (iii) **transfers to EDL** that increased by LL 39 billion (41.3 percent) due to a 26.6 percent annual rise in the average global crude oil price. However, these increases were partly counterbalanced by a LL 14 billion drop in expenditures on **medicaments**, reaching LL 13 billion in January 2018.

Interest payments rose to LL 384 billion in January as interest payments due on domestic debt increased by LL 70 billion (27.4 percent). **Foreign debt principal repayments** remained unchanged year-on-year at LL 27 billion in January 2018.

Capital expenditures rose by LL 311 billion to reach LL 374 billion in January 2018 as a result of a LL 262 billion increase in **construction in progress** expenses, as well as a LL 30 billion rise in the **acquisitions of land and buildings** and a LL 15 billion increase in **maintenance costs**.

Treasury expenditures grew significantly to reach LL 431 billion in January 2018, primarily as a result of a LL 414 billion payment that was made by the Ministry of Finance to municipalities from Telecom revenues in January 2018. It is worth mentioning that VAT refund dropped by LL 18 billion (93.7 percent).

Public Debt

Gross public debt increased to LL 121,189 billion by the end of January 2018, up by 1.1 percent from end-2017. In parallel, net debt rose by 0.4 percent to LL 104,628 billion, as public sector deposits increased from LL 15,659 billion to LL 16,561 billion.

Local currency debt reached LL 75,104 billion at end-January 2018, adding LL 1,027 billion from the previous month, and driving the bulk of the rise in public debt. Local currency debt holdings by the Central Bank jumped by 6.3 percent (LL 2,242 billion) to LL 37,822 billion, while holdings by Commercial Banks slid by 4.8 percent (LL 1,343

¹ Current primary expenditures represent current expenditures excluding interest payment and debt service.

billion) to LL 26,413 billion. Changes in other local currency debt holdings were minimal, with TBs held by Public Entities increasing by 1.2 percent to LL 9,049 billion.

The stock of **foreign currency debt** rose slightly by 0.6 percent (LL 273 billion) to reach LL 46,085 billion at end-January, noting that the stock of market-issued Eurobonds remained almost unchanged at LL 41,823 billion, while accrued interest on Eurobonds significantly rose by the equivalent of LL 185 billion to LL 665 billion in January, driving the increase in the overall FX debt stock.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	2017 January	2018 January	% Change 2018/2017
Budget Revenues, of which	1,693	1,504	-11.2%
Tax Revenues	1,276	1,376	7.9%
Non-Tax Revenues	417	128	-69.3%
Treasury Receipts	135	391	189.1%
Total Revenues	1,828	1,895	3.6%

Source: MOF, DGF

Table 3: Tax Revenues

(LL billion)	2017 January	2018 January	% Change 2018/2017
Tax Revenues:	1,276	1,376	7.9%
Taxes on Income, Profits, & Capital Gains, of which	400	451	12.8%
Income Tax on Profits	103	112	8.6%
Income Tax on Wages and Salaries	184	209	13.2%
Income Tax on Capital Gains & Dividends	25	25	0.1%
Tax on Interest Income (7%)	80	97	22.1%
Penalties on Income Tax	8	8	4.5%
Taxes on Property, of which:	95	101	6.6%
Built Property Tax	18	22	23.4%
Real Estate Registration Fees	62	71	14.2%
Domestic Taxes on Goods & Services, of which:	549	582	6.0%
Value Added Tax	512	549	7.2%
Other Taxes on Goods and Services, of which:	35	28	-20.7%
Private Car Registration Fees	19	20	7.4%
Passenger Departure Tax	16	7	-55.1%
Taxes on International Trade, of which:	173	171	-0.7%
Customs	57	63	10.0%
Excises, of which:	116	109	-5.9%
Gasoline Excise	54	60	10.5%
Tobacco Excise	22	13	-42.0%
Cars Excise	39	35	-10.7%
Other Tax Revenues (namely fiscal stamp fees)	59	70	19.0%

Source: MOF, DGF

Table 4: Non-Tax Revenue

(LL billion)	2017 January	2018 January	% Change 2018/2017
Non-Tax Revenues	417	128	-69.3%
Income from Public Institutions and Government Properties, of which	300	22	-92.7%
Income from Non-Financial Public Enterprises, of which:	262	12	-95.4%
<i>Revenues from Casino Du Liban</i>	11	12	11.1%
<i>Revenues from Port of Beirut</i>	0	0	-
<i>Budget Surplus of National Lottery</i>	0	0	-
<i>Transfer from the Telecom Surplus</i>	251	0	-
Transfer from Public Financial Institution (BDL)	0	0	-
Property Income (namely rent of Rafic Hariri International Airport)	38	10	-74.4%
Other Income from Public Institutions (interests)	1	0	-62.9%
Administrative Fees & Charges, of which:	102	78	-23.0%
Administrative Fees, of which:	85	66	-21.5%
Notary Fees	3	6	123.0%
Passport Fees/ Public Security	20	23	13.5%
Vehicle Control Fees	56	31	-45.1%
Judicial Fees	2	2	1.9%
Driving License Fees	2	2	12.4%
Administrative Charges	8	3	-64.4%
Sales (Official Gazette and License Number)	0	0	14.3%
Permit Fees (mostly work permit fees)	7	8	6.3%
Other Administrative Fees & Charges	2	1	-36.4%
Penalties & Confiscations	3	4	40.5%
Other Non-Tax Revenues (mostly retirement deductibles)	13	24	86.2%

Source: MOF, DGF

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	2017 January	2018 January	% Change 2018/2017
1. Current Expenditures	1,155	1,639	41.9%
1.a Personnel Cost, of which	524	690	31.7%
Salaries, Wages and Related Items	348	473	36.2%
Retirement and End of Service Compensations, of which:	173	202	16.5%
Retirement	154	180	16.7%
End of Service	19	22	14.8%
Transfers to Public Institutions to Cover Salaries	3	15	-
1.b Interest Payments 1/, of which:	317	384	21.3%
Domestic Interest Payments	254	324	27.4%
Foreign Interest Payments	62	60	-3.4%
1.c Accounting Adjustments	0	0	-
1.d Foreign Debt Principal Repayment	27	27	0.8%
1.e Materials and Supplies, of which:	43	30	-30.2%
Nutrition	5	2	-61.6%
Fuel Oil	5	0	-92.4%
Medicaments	28	13	-51.4%
1.f External Services	8	35	-
1.g Various Transfers, of which:	178	233	30.7%
EDL 2/	95	134	41.3%
NSSF	0	0	-
Higher Council of Relief	0	0	-
Contributions to non-public sectors	29	54	86.1%
Transfers to Directorate General of Cereals and Beetroot 3/	0	0	-
1.h Other Current, of which:	42	238	-
Hospitals	31	192	-
Others(judgments & reconciliations, mission costs, other)	8	43	-
1.i Interest Subsidy	17	2	-88.6%
2. Capital Expenditures	63	374	-
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	0	30	-
2.b Equipment	4	9	102.5%
2.c Construction in Progress, of which:	42	304	-
Displaced Fund	0	10	-
Council of the South	0	0	-
CDR	9	23	150.0%
Ministry of Public Work and Transport	12	8	-36.6%
Other of which:	16	10	-40.7%
Higher Council of Relief	0	1	-
2.d Maintenance	15	30	96.1%
2.e Other Expenditures Related to Fixed Capital Assets	1	1	-28.2%
3. Budget Advances 4/	1	2	82.5%
4. Customs Administration (exc. Salaries and Wages) 5/	9	20	108.1%
5. Treasury Expenditures 6/	52	431	-
Municipalities	6	414	-
Guarantees	17	7	-60.7%
Deposits 7/	5	6	14.6%
Other, of which:	24	4	-82.0%
VAT Refund	19	1	-93.7%
6. Unclassified Expenditures	0	0	-
7. Total Expenditures (Excluding CDR Foreign Financed)	1,281	2,466	92.5%

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

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

⁽²⁾ 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.

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

⁽⁴⁾ 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.

⁽⁵⁾ 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.

⁽⁶⁾ 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.

⁽⁷⁾ 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 Transactions¹

(LL billion)	2017 January	2018 January	% Change 2018/2017
Interest Payments	317	384	21.3%
Local Currency Debt	254	324	27.4%
Foreign Currency Debt, of which:	62	60	-3.4%
Eurobond Coupon Interest*	52	50	-4.9%
Special bond Coupon Interest*	0.7	0.1	-83.7%
Concessional Loans Interest Payments	9	10	10.6%

Source: MOF, DGF

⁽¹⁾ 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)	2017 January	2018 January	% Change 2018/2017
EDL of which:	95	134	41.3%
Debt Service	1	1	-1.2%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	94	133	42.0%

Source: MOF, DGF

SECTION 3: PUBLIC DEBT

Table 8: Public Debt Outstanding by Holder as of End-January 2018

(LL billion)	Dec-16	Dec-17	Jan-18	% Change Jan 18 - Dec 17
Gross Public Debt	112,910	119,889	121,189	1.1%
Local Currency Debt	70,528	74,077	75,104	1.4%
* <i>Accrued Interest Included in Debt</i>	1,098	1,159	1,109	-4.3%
a. Central Bank	30,150	35,580	37,822	6.3%
b. Commercial Banks (Including REPOs) 1/	29,581	27,756	26,413	-4.8%
c. Other Local Currency Debt (T-bills), of which:	10,797	10,741	10,869	1.2%
<i>Public Entities</i>	8,718	8,941	9,049	1.2%
<i>Contractor bonds 2/</i>	139	166	166	0.0%
Foreign Currency Debt 3/	42,382	45,812	46,085	0.6%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,506	2,970	3,017	1.6%
b. Paris II Related Debt (Eurobonds and Loans) 4/	631	86	87	1.2%
c. Paris III Related Debt (Eurobonds and Loans) 5/	660	452	460	1.8%
d. Market-Issued Eurobonds	38,063	41,791	41,823	0.1%
e. Accrued Interest on Eurobonds	458	480	665	38.5%
f. Special T-bills in Foreign Currency 6/	63	33	33	0.0%
Public Sector Deposits	14,586	15,659	16,561	5.8%
Net Debt 7/	98,324	104,230	104,628	0.4%
Gross Market Debt 8/	70,303	71,944	70,843	-1.5%
% of Total Debt	62%	60%	58%	-2.6%

Source: MOF, DGF

⁽¹⁾ Since August 2017 REPOs are removed from central bank and added to co

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

⁽³⁾ Figures for Dec 16- Dec 17 may differ from previously published data due to updated information regarding bilateral and multilateral loans in the DMFAS system.

⁽⁴⁾ 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.

⁽⁵⁾ 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.

⁽⁶⁾ Special Tbs in foreign currency (expropriation and contractor bonds).

⁽⁷⁾ Net Debt is obtained by subtracting Public Sector Deposits from Gross Public Debt.

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



REPUBLIC OF LEBANON
MINISTRY OF FINANCE



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

For further information please contact:

Ministry of Finance

UNDP Project

Tel: 961 1 981 057/8

Fax: 961 1 981 059

E-mail: infocenter@finance.gov.lb

Website: www.finance.gov.lb