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General Overview

The government deficit witnessed an improvement during the first five months of 2019 compared to the same period of 2018 driven by lower spending. In fact, expenditures witnessed a drop in its three major sub-categories: current, capital and treasury by a total of LL 1,306 billion. However, total revenues also witnessed a significant drop of LL 499 billion mainly as VAT collection and taxes on property fell by LL 141 billion and LL 109 billion respectively, adding to a sharp decline of LL 421 billion in treasury revenues.

Hence, the **total fiscal balance** recorded a deficit of LL 3,597 billion, compared to a higher deficit of LL 4,404 billion during the same period of 2018. In addition, **primary balance** also improved to a lower deficit of LL 57 billion during Jan-May 2019 compared to a deficit of LL 534 billion in the same period of 2018.

Table 1: Summary of Fiscal Performance

(LL billion)	Jan-May 2018	Jan-May 2019	% Change 2019/2018
Total Budget and Treasury Receipts	7,229	6,730	-6.9%
Total Budget and Treasury Payments, of which	11,633	10,327	-11.2%
•Interest Payments	3,740	3,421	-8.5%
•Concessional loans principal payment ¹	130	120	-7.7%
•Primary Expenditures ²	7,763	6,787	-12.6%
Total (Deficit)/Surplus	(4,404)	(3,597)	-18.3%
Primary (Deficit)/Surplus	(534)	(57)	-89.4%

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 reached LL 6,730 billion in Jan-May 2019, declining by LL 499 billion (6.9 percent) from Jan-May 2018. This was the result of a significant drop in treasury receipts by LL 421 billion (58.2 percent) accompanied by a LL 108 billion (9.2 percent) decrease in non-tax revenues, that could not be offset by the LL 30 billion (0.6 percent) rise in tax revenues.

Tax revenues recorded LL 5,357 billion in the first five months of 2019, growing by LL 30 billion (0.6 percent) from a total of LL 5,327 billion registered during Jan-May 2018, due to higher revenues from **taxes on income, profits, and capital gains**. Meanwhile, all other sub-categories witnessed a year-on-year decrease, with a noticeable drop observed in **domestic taxes on goods and services** and **taxes on property**.

In details, **taxes on income, profits and capital gains** went up by LL 333 billion (18.8 percent) year-on-year in Jan-May 2019, as **taxes on interest income** significantly increased by LL 358 billion (57.5 percent) to reach LL 980 billion¹. Meanwhile, **income tax on capital gains & dividends** and **income tax on profits** dropped by LL 11 billion (5.1 percent) and LL 5 billion (1.0 percent) respectively.

¹ Driven by higher interest rates on deposits, with an average of 8.83 percent in Jan-May 2019 compared to 6.61 percent in Jan-May 2018 for LL deposits, and a year-to-date average of 5.67 percent in 2019 compared to 4.02 percent in 2018 for FX deposits.

Domestic taxes on goods and services dropped by LL 149 billion (7.7 percent) year-on-year in Jan-May 2019 due to a LL 141 billion (8.5 percent) decline in **value added tax** - owing to the 11.1 percent drop in VAT collected at customs along with a 5.0 percent decline in VAT collected internally - as well as a drop in **private car registration fees** by LL 30 billion (27.4 percent).

In addition, **taxes on property** also decreased by LL 109 billion (20.2 percent), mainly as **real estate registration fees** dropped by LL 86 billion (27.9 percent). This drop reflected the year-on-year decrease in both the number as well as the average price of sold properties by 16.2 percent and 9.8 percent respectively over the covered period².

Taxes on international trade dropped by LL 29 billion (3.5 percent) due to a drop in **cars excise** by LL 49 billion (26.9 percent) – reflecting the 22.5 percent drop in the value of car imports - along with a LL 32 billion (10.0 percent) decrease in **custom fees**. Yet the decrease was partially counterbalanced by a rise in both **gasoline excise** and **tobacco excise** by LL 27 billion³ and LL 26 billion⁴ respectively.

Finally, **other tax revenues (namely fiscal stamp fees)** decreased by LL 16 billion (5.9 percent) compared to the same period last year, to reach LL 251 billion in Jan-May 2019.

Non-tax revenues decreased by LL 108 billion (9.2 percent) to reach LL 1,070 billion in Jan-May 2019, mainly driven by a LL 70 billion (17.1 percent) drop in **administrative fees and charges** as a result of lower collections of **vehicle control fees** and **passport fees** by LL 74 billion (45.4 percent) and LL 13 billion (11.4 percent) respectively.

Income from public institutions and government properties fell by LL 13 billion (2.1 percent) to reach LL 624 billion in Jan-May 2019, driven by the drop of LL 41 billion (8.5 percent) in **transfers from the Telecom surplus**, at the time where **property income (namely rent of Rafic Hariri International Airport)** increased by LL 26 billion (69.6 percent).

Other non-tax revenues (mostly retirement deductibles) dropped by LL 25 billion (21.7 percent) to reach LL 90 billion in Jan-May 2019.

Treasury receipts witnessed a sharp decrease by LL 421 billion (58.2 percent) to reach LL 303 billion in Jan-May 2019 compared to LL 724 billion during the same period of the 2018.

Expenditures

Total expenditures recorded a significant decrease of LL 1,306 billion (11.2 percent) to reach LL 10,327 billion in Jan-May 2019 due to lower current, capital and treasury expenditures.

Current primary expenditures⁵ declined by LL 295 billion (5.0 percent), reaching LL 5,574 billion in Jan-May 2019, mainly as a result of a drop in: (i) **salaries, wages and social benefits** by LL 207 billion (8.0 percent), (ii) **transfers to hospitals** by LL 174 billion (72.9 percent), and (iii) **external services** by LL 53 billion (46.3 percent). However, these

² As per the General Directorate of Land Registry and Cadastre.

³ With gasoline imports increasing year-on-year by 6.7 percent in volume during Jan-May 2019.

⁴ Reflecting a rise in imports of tobacco from LL 61 billion in Jan-May 2018 to LL 100 billion in Jan-May 2019.

⁵ Current primary expenditures represent current expenditures excluding interest payment and debt service.

decreases were partly counterbalanced by a hike in **retirement and end of service compensations** of LL 412 billion⁶ in Jan-May 2019.

Interest payments reached LL 3,421 billion in Jan-May 2019, LL 320 billion (8.5 percent) lower compared to the previous year, mainly as **interest payments due on domestic currency debt** fell by LL 336 billion (15.3 percent). In contrast, **interest payments on foreign currency debt** rose slightly by LL 16 billion (1.1 percent) to reach LL 1,565 billion. **Foreign debt principal repayments** decreased by LL 10 billion from the LL 130 billion registered in the first five months of 2018.

Capital expenditures shrank significantly by LL 244 billion (32.2 percent) to reach LL 513 billion in Jan-May 2019, due to a LL 203 billion decrease in **construction in progress** expenses, despite the hike in transfers to **CDR** by LL 103 billion (157.1 percent). In addition, **acquisitions of land, buildings, for the construction of roads, ports, airports, and water networks** were nil during Jan-May 2019 compared to LL 30 billion a year earlier.

Treasury expenditures witnessed a significant decrease of LL 333 billion (34.5 percent) to reach LL 632 billion in Jan-May 2019, mainly due to a drop in payments to **municipalities** from LL 572 billion in Jan-May 2018 to LL 333 billion in Jan-May 2019.

Public Debt

Gross public debt grew to LL 128,708 billion by the end of May 2019 compared to a total of LL 128,347 billion by end-December 2018. Accordingly, net debt increased by LL 1,435 billion (1.3 percent) to reach LL 115,596 billion as public sector deposits declined by 7.6 percent over the period under review.

Local currency debt rose by LL 2,383 billion (3.1 percent) from its end-2018 level, with the central bank's holdings rising by LL 3,216 billion (8.2 percent) to reach LL 42,222 billion in May 2019. On the other hand, local currency debt holdings by Commercial Banks dropped by LL 619 billion (2.3 percent) to reach LL 26,783 billion, along with a drop of LL 214 billion in other local currency debt holdings. In addition, TBs held by Public Entities fell by LL 180 billion (1.8 percent) to reach LL 9,776 billion compared to LL 9,956 billion by the end of 2018.

The stock of **foreign currency debt** decreased by LL 2,022 billion (4.0 percent) to reach LL 48,473 billion by the end of May 2019, mainly as the stock of market-issued Eurobonds dropped by LL 1,733 billion (3.7 percent) to reach LL 44,945 billion. In addition, Paris III related bonds and loans as well as the bilateral, multilateral and foreign private sector loans both fell by LL 53 billion and LL 41 billion respectively compared to the end of 2018.

⁶ With both "End of Service" and "Retirement" components increasing y-o-y by LL 237 billion and LL 175 billion respectively in Jan-May 2019.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	2018 Jan-May	2019 Jan-May	% Change 2019/2018
Budget Revenues, of which	6,505	6,427	-1.2%
Tax Revenues	5,327	5,357	0.6%
Non-Tax Revenues	1,178	1,070	-9.2%
Treasury Receipts	724	303	-58.2%
Total Revenues	7,229	6,730	-6.9%

Source: MOF, DGF

Table 3: Tax Revenues

(LL billion)	2018 Jan-May	2019 Jan-May	% Change 2019/2018
Tax Revenues:	5,327	5,357	0.6%
Taxes on Income, Profits, & Capital Gains, of which	1,767	2,100	18.8%
Income Tax on Profits	442	438	-1.0%
Income Tax on Wages and Salaries	451	451	-0.1%
Income Tax on Capital Gains & Dividends	223	212	-5.1%
Tax on Interest Income (7%)	623	980	57.5%
Penalties on Income Tax	27	19	-30.9%
Taxes on Property, of which:	539	431	-20.2%
Built Property Tax	186	156	-16.0%
Real Estate Registration Fees	307	221	-27.9%
Domestic Taxes on Goods & Services, of which:	1,929	1,780	-7.7%
Value Added Tax	1,666	1,525	-8.5%
Other Taxes on Goods and Services, of which:	180	152	-15.9%
<i>Private Car Registration Fees</i>	110	80	-27.4%
<i>Passenger Departure Tax</i>	69	71	2.7%
Taxes on International Trade, of which:	824	795	-3.5%
Customs	316	284	-10.0%
Excises, of which:	508	511	0.5%
<i>Gasoline Excise</i>	273	300	9.8%
<i>Tobacco Excise</i>	48	73	54.1%
<i>Cars Excise</i>	181	132	-26.9%
Other Tax Revenues (namely fiscal stamp fees)	267	251	-5.9%

Source: MOF, DGF

Table 4: Non-Tax Revenue

(LL billion)	2018 Jan-May	2019 Jan-May	% Change 2019/2018
Non-Tax Revenues	1,178	1,070	-9.2%
Income from Public Institutions and Government Properties, of which	637	624	-2.1%
Income from Non-Financial Public Enterprises, of which:	537	498	-7.3%
<i>Revenues from Casino Du Liban</i>	56	52	-7.3%
<i>Revenues from Port of Beirut</i>	0	0	-
<i>Budget Surplus of National Lottery</i>	1	6	-
<i>Transfer from the Telecom Surplus</i>	480	439	-8.5%
Transfer from Public Financial Institution (BDL)	60	60	-0.1%
Property Income (namely rent of Rafic Hariri International Airport)	37	63	69.6%
Other Income from Public Institutions (interests)	2	3	15.8%
Administrative Fees & Charges, of which:	412	342	-17.1%
Administrative Fees, of which:	340	259	-23.9%
Notary Fees	30	26	-11.7%
Passport Fees/ Public Security	113	100	-11.4%
Vehicle Control Fees	163	89	-45.4%
Judicial Fees	11	13	17.5%
Driving License Fees	9	8	-10.6%
Administrative Charges	16	27	70.5%
Sales (Official Gazette and License Number)	1	1	-3.6%
Permit Fees (mostly work permit fees)	39	34	-14.7%
Other Administrative Fees & Charges	16	21	34.8%
Penalties & Confiscations	14	15	4.7%
Other Non-Tax Revenues (mostly retirement deductibles)	115	90	-21.7%

Source: MOF, DGF

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	2018 Jan-May	2019 Jan-May	% Change 2019/2018
1. Current Expenditures	9,739	9,114	-6.4%
1.a Personnel Cost, of which	3,979	4,174	4.9%
Salaries, Wages and Related Items	2,607	2,399	-8.0%
Retirement and End of Service Compensations, of which:	1,192	1,604	34.5%
Retirement	908	1,083	19.3%
End of Service	284	521	83.3%
Transfers to Public Institutions to Cover Salaries	180	171	-4.8%
1.b Interest Payments 1/, of which:	3,740	3,421	-8.5%
Domestic Interest Payments	2,191	1,855	-15.3%
Foreign Interest Payments	1,549	1,565	1.1%
1.d Foreign Debt Principal Repayment	130	120	-7.7%
1.e Materials and Supplies, of which:	136	101	-25.6%
Nutrition	27	24	-12.2%
Fuel Oil	13	15	15.2%
Medicaments	48	21	-55.9%
1.f External Services	115	62	-46.3%
1.g Various Transfers, of which:	1,270	1,088	-14.3%
EDL 2/	947	913	-3.6%
NSSF	0	0	-
Higher Council of Relief	0	0	-
Contributions to non-public sectors	94	89	-4.4%
Transfers to Directorate General of Cereals and Beetroot 3/	17	12	-28.7%
1.h Other Current, of which:	332	106	-68.0%
Hospitals	238	64	-72.9%
Others (judgments & reconciliations, mission costs, other)	90	40	-55.9%
1.i Other Financial expenses	1	0	-97.9%
1.j Interest Subsidy	37	43	15.0%
2. Capital Expenditures	756	513	-32.2%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	30	0	-100.0%
2.b Equipment	42	39	-8.0%
2.c Construction in Progress, of which:	507	304	-40.1%
Displaced Fund	10	0	-100.0%
Council of the South	40	19	-52.2%
CDR	66	169	157.1%
Ministry of Public Work and Transport	47	25	-47.7%
Other of which:	90	90	0.2%
Higher Council of Relief	11	20	87.5%
2.d Maintenance	150	141	-5.9%
2.e Other Expenditures Related to Fixed Capital Assets	27	29	7.0%
3. Budget Advances 4/	108	10	-90.5%
4. Customs Administration (exc. Salaries and Wages) 5/	65	58	-10.9%
5. Treasury Expenditures 6/	965	632	-34.5%
Municipalities	572	333	-41.8%
Guarantees	38	37	-2.3%
Deposits 7/	102	120	17.4%
Other, of which:	253	143	-43.6%
VAT Refund	90	109	21.9%
6. Unclassified Expenditures	0	0	-
7. Total Expenditures (Excluding CDR Foreign Financed)	11,633	10,327	-11.2%

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)	2018 Jan-May	2019 Jan-May	% Change 2019/2018
Interest Payments	3,740	3,421	-8.5%
Local Currency Debt	2,191	1,855	-15.3%
Foreign Currency Debt, of which:	1,549	1,565	1.1%
Eurobond Coupon Interest*	1,510	1,523	0.9%
Special bond Coupon Interest*	0.7	0.1	-82.2%
Concessional Loans Interest Payments	39	42	9.5%
Foreign Debt Principal Repayment	130	120	-7.7%

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)	2018 Jan-May	2019 Jan-May	% Change 2019/2018
EDL of which:	947	913	-3.6%
Debt Service	6	2	-72.0%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	922	911	-1.2%
Transfer Electricity Syria	19	0	-

Source: MOF, DGF

SECTION 3: PUBLIC DEBT

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

(LL billion)	Dec-17	Dec-18	May-19	% Change May 19 – Dec 18
Gross Public Debt	119,892	128,347	128,708	0.3%
Local Currency Debt	74,077	77,852	80,235	3.1%
* <i>Accrued Interest Included in Debt</i>	1,159	1,123	1,308	16.5%
a. Central Bank	35,580	39,006	42,222	8.2%
b. Commercial Banks (Including REPOs) 1/	27,756	27,402	26,783	-2.3%
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	9,776	-1.8%
<i>Contractor bonds 2/</i>	166	166	133	-19.9%
Foreign Currency Debt 3/	45,815	50,495	48,473	-4.0%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,973	2,920	2,879	-1.4%
b. Paris II Related Debt (Eurobonds and Loans) 4/	86	0	0	-
c. Paris III Related Debt (Eurobonds and Loans) 5/	452	344	291	-15.4%
d. Market-Issued Eurobonds	41,791	46,678	44,945	-3.7%
e. Accrued Interest on Eurobonds	480	547	355	-35.1%
f. Special T-bills in Foreign Currency 6/	33	6	3	-50.0%
Public Sector Deposits	15,659	14,186	13,112	-7.6%
Net Debt 7/	104,233	114,161	115,596	1.3%
Gross Market Debt 8/	71,944	76,204	73,626	-3.4%
% of Total Debt	60%	59%	57%	-3.7%

Source: MOF, DGF

⁽¹⁾ Since August 2017 REPOs are removed from central bank and added to commercial banks.

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

⁽³⁾ 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.

⁽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, the first tranche of the French loan received in February 2008 and the second tranche received in October 2012.

⁽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.

