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General Overview

The **total fiscal balance** registered a significant deficit of LL 8,757 billion in Jan-Nov 2018, 72.1 percent higher than the deficit registered during the same period of 2017, due to the full year impact of the salary scale adjustment in the public sector and other increases in public spending. The rise in interest payments, coupled with higher transfers to EDL and Municipalities, and exacerbated by other treasury expenditures, led to higher public spending. On the other hand, total revenues showed a slight increase, yet not sufficient to offset the rise in expenditures.

Moreover, **primary balance** shifted from a surplus of LL 2,173 billion in Jan-Nov 2017 to a deficit of LL 740 billion during the same covered period of 2018.

Table 1: Summary of Fiscal Performance

(LL billion)	2017 Jan-Nov	2018 Jan-Nov	% Change 2018/2017
Total Budget and Treasury Receipts	15,465	16,198	4.7%
Total Budget and Treasury Payments, of which	20,554	24,955	21.4%
• Interest Payments	6,982	7,736	10.8%
• Concessional loans principal payment ¹	280	281	0.3%
• Primary Expenditures ²	13,291	16,938	27.4%
Total (Deficit)/Surplus	(5,089)	(8,757)	72.1%
Primary (Deficit)/Surplus	2,173	(740)	-

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 increased by LL 733 billion (4.7 percent) to reach LL 16,198 billion in Jan-Nov 2018, compared to LL 15,465 billion during the same period of 2017.

Tax revenues were up by LL 367 billion (3.2 percent), reaching LL 11,998 billion during Jan-Nov of 2018.

In details, **Taxes on Income, Profits and Capital gains** were up by LL 212 billion (5.2 percent) in Jan-Nov 2018 compared to Jan-Nov 2017, as **Tax on Interest Income** rose by LL 790 billion (96.1 percent) to reach LL 1,612 billion. **Income Tax on Wages and Salaries** as well as **Income Tax on Capital Gains and Dividends** also increased in Jan-Nov 2018 by LL 106 billion and LL 71 billion to reach LL 861 billion and LL 407 billion respectively. However, it is worth mentioning that **income tax on profits** witnessed a sharp drop of 739 billion (35.5 percent)¹ in Jan-Nov 2018 to reach LL 1,343 billion during the covered period.

Domestic taxes on goods and services increased by LL 418 billion (10.9 percent) driven by a LL 364 billion (11.1 percent) increase in the **Value Added Tax** as the rate rose from 10 percent to 11 percent. Internal VAT rose by 8.0 percent while VAT at customs rose by 13.4 percent.

¹ This drop can be explained by the exceptional increase in income tax on profits during 2017, as financial institutions transferred income tax on the one-off revenues generated from the Central Bank's 2016 financial engineering.

Taxes on property shrank by LL 245 billion (19.3 percent) in Jan-Nov 2018, mainly as **real estate registration fees** dropped by LL 202 billion (23.3 percent). This significant drop reflected the year-on-year decrease in both the number as well as the average price of sold properties by 17.7 percent and 1.4 percent respectively over the covered period.

Taxes on international trade were down by LL 103 billion (5.2 percent) during Jan-Nov 2018, driven by a drop of LL 113 billion (8.7 percent) in the collection of **excise taxes**. In details, the collection of **gasoline excise** dropped by LL 18 billion (2.8 percent) during the covered period, indicating a retraction in gasoline consumption clearly shown in the drop in volume of gasoline imports by 2.9 percent. Moreover, **tobacco excises** declined by LL 48 billion (26.1 percent) owing to a 20.5 percent decrease in the value of imported tobacco products and a 12.8 percent drop in volume, as well as **cars excises** that fell by LL 57 billion (11.9 percent) due to the 10.4 percent drop in the value of cars imported² in Jan-Nov 2018.

Other tax revenues (namely fiscal stamps fees) grew by LL 85 billion (17.9 percent) over the covered period, driven by the implementation of the new revenue measures introduced under Law n° 64/2017 published in the official gazette n° 50 dated 26/10/2017³.

Non-tax revenues increased by LL 279 billion (10.1 percent) to reach LL 3,053 billion in Jan-Nov 2018. This was mainly due to the hike in **transfers from the Telecom surplus** by LL 312 billion (29.0 percent), whereby revenues from **Port of Beirut** dropped by LL 65 billion (37.1 percent) and **Property income (namely rent of Rafic Hariri International Airport)** dropped by LL 33 billion (14.6 percent). **Administrative fees and charges** increased by LL 95 billion (12.4 percent) as a result of higher collections of **vehicle control fees** and **notary fees** by LL 39 billion (14.5 percent) and LL 29 billion (75.1 percent) respectively. On the other hand, **other non-tax revenues (mostly retirement deductibles)** dropped by LL 42 billion (15.2 percent) to reach LL 232 billion in Jan-Nov 2018.

Treasury receipts rose by LL 87 billion (8.2 percent) to reach LL 1,147 billion by end-November 2018. It is worth mentioning that treasury receipts are transitory in nature and as such, variations in these collections are usually not reflective of economic activity.

Expenditures

Total expenditures recorded a surge of LL 4,401 billion (21.4 percent) and stood at LL 24,955 billion in Jan-Nov 2018.

Current primary expenditures⁴ increased by LL 2,746 billion (25.5 percent) mainly as a result of a rise in: (i) **personnel cost** by LL 1,607 billion driven by both **salaries, wages and social benefits** and **retirement and end of service compensations** components which rose by LL 861 billion (18.1 percent) and LL 694 billion (32.6 percent) respectively; (ii) **various transfers** by LL 862 billion driven by a LL 718 billion (41.4 percent) rise in

² Taking into account imports of “Motor cars and other motor vehicles” (HS 87.03) as per the data published by the customs directorate.

³ Following the abrogation of the law no 45/2017 (published in the official gazette no 37 dated 21/08/2017) by the Constitutional Council.

⁴ Current primary expenditures represent current expenditures excluding interest payments and foreign debt principal repayment.

transfers to EDL⁵ and (iii) other current expenditures (judgments & reconciliations, mission costs, other) by LL 156 billion (139.4 percent).

Interest payments rose by LL 754 billion (10.8 percent) to reach LL 7,736 billion in Jan-Nov 2018, mainly due to an increase of LL 770 billion⁶ in foreign interest payments.

Capital expenditures grew by LL 362 billion (36.6 percent) in Jan-Nov 2018, mainly due to a LL 278 billion (36.8 percent) increase in construction in Progress, of which LL 44 billion were transfers to CDR and LL 16 billion to the Council of the South. In addition, there was a LL 28 billion increase in acquisitions of land and buildings, for the construction of roads, ports, airports, and water networks to reach LL 30 billion in Jan-Nov 2018. Moreover, maintenance costs increased by LL 64 billion (50.1 percent) year-on-year during the covered period.

Treasury expenditures witnessed an increase of LL 499 billion (42.4 percent) to reach LL 1,676 billion by end-November 2018, mainly due to a hike in payments to Municipalities from LL 562 billion in Jan-Nov 2017 to LL 831 billion in Jan-Nov 2018. It is worth mentioning that the increase in Treasury Expenditures was also due to the repayment of the accrued interest on matured Eurobonds, which was accounted for in the other Treasury Expenditure sub-component that increased by LL 297 billion to reach LL 542 billion in Jan-Nov 2018.

Public Debt Developments

Gross public debt reached LL 126,113 billion as of end-November 2018, increasing by LL 6,221 billion (5.2 percent) from end-2017, while net debt rapidly increased by 8.5 percent as public sector deposits declined by 16.9 percent over the period under review.

Local currency debt increased by 2.3 percent to reach LL 75,814 billion as of end-November 2018, compared to LL 74,077 billion as of end-2017. In detail, Local Currency Debt held by the Central Bank increased by LL 3,376 billion (9.5 percent)⁷, whereas the holdings by the Commercial Banks dropped by LL 2,376 billion (8.6 percent). On the other hand, a LL 737 billion increase in other local currency debt holdings was recorded, with TBs held by Public Entities rising by LL 918 billion (10.3 percent) to reach LL 9,859 billion compared to LL 8,941 billion by the end of 2017.

The stock of **foreign currency debt** grew sharply by LL 4,484 billion to reach LL 50,299 billion at the end of November, mostly owing it to a LL 4,887 billion increase in the value of market-issued Eurobonds. On the other hand, Bilateral, multilateral and foreign private sector loans declined by LL 61 billion, whereas Paris III related bonds and loans decreased by LL 109 billion.

⁵ Driven by the increase in international fuel prices from an average of US\$ 53.30 per barrel during Jan-Nov 2017 to an average of US\$ 72.34 per barrel in Jan-Nov 2018.

⁶ The hike in foreign interest payments can be partly explained by the coupon payments due in November related to the Quadruple-Tranche of US\$ 5.5 billion Eurobond issuance performed within the FX/LL debt replacement agreement between MOF and BDL on 17th of May 2018.

⁷ BDL's TBs portfolio increased significantly in November after subscribing for a total amount of LL 2,827 billion.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	2017 Jan-Nov	2018 Jan-Nov	% Change 2018/2017
Budget Revenues, of which:	14,404	15,051	4.5%
Tax Revenues	11,631	11,998	3.2%
Non-Tax Revenues	2,773	3,053	10.1%
Treasury Receipts	1,060	1,147	8.2%
Total Revenues	15,465	16,198	4.7%

Source: MOF, DGF

Table 3: Tax Revenues

(LL billion)	2017 Jan-Nov	2018 Jan-Nov	% Change 2018/2017
Tax Revenues:	11,631	11,998	3.2%
Taxes on Income, Profits, & Capital Gains, of which:	4,062	4,274	5.2%
Income Tax on Profits	2,082	1,343	-35.5%
Income Tax on Wages and Salaries	755	861	14.0%
Income Tax on Capital Gains & Dividends	335	407	21.2%
Tax on Interest Income (5%)	822	1,612	96.1%
Penalties on Income Tax	66	51	-23.8%
Taxes on Property, of which:	1,272	1,027	-19.3%
Built Property Tax	261	264	1.0%
Real Estate Registration Fees	864	662	-23.3%
Domestic Taxes on Goods & Services, of which:	3,844	4,262	10.9%
Value Added Tax	3,288	3,652	11.1%
Other Taxes on Goods and Services, of which:	417	438	5.1%
Private Car Registration Fees	231	247	6.8%
Passenger Departure Tax	184	189	2.8%
Taxes on International Trade, of which:	1,978	1,875	-5.2%
Customs	677	687	1.5%
Excises, of which:	1,302	1,188	-8.7%
Gasoline Excise	638	620	-2.8%
Tobacco Excise	182	135	-26.1%
Cars Excise	475	419	-11.9%
Other Tax Revenues (namely fiscal stamp fees)	475	560	17.9%

Source: MOF, DGF

Table 4: Non-Tax Revenues

(LL billion)	2017 Jan-Nov	2018 Jan-Nov	% Change 2018/2017
Non-Tax Revenues	2,773	3,053	10.1%
Income from Public Institutions and Government Properties, of which	1,696	1,923	13.4%
Income from Non-Financial Public Enterprises, of which:	1,406	1,665	18.5%
<i>Revenues from Casino Du Liban</i>	111	124	11.3%
<i>Revenues from Port of Beirut</i>	175	110	-37.1%
<i>Budget Surplus of National Lottery</i>	42	41	-1.3%
<i>Transfer from the Telecom Surplus</i>	1,076	1,388	29.0%
Transfer from Public Financial Institution (BDL)	61	60	-0.4%
Property Income (namely rent of Rafic Hariri International Airport)	223	190	-14.6%
Other Income from Public Institutions (interests)	6	7	16.5%
Administrative Fees & Charges, of which:	769	864	12.4%
Administrative Fees, of which:	648	722	11.4%
<i>Notary Fees</i>	38	67	75.1%
<i>Passport Fees/ Public Security</i>	260	256	-1.3%
<i>Vehicle Control Fees</i>	270	309	14.5%
<i>Judicial Fees</i>	27	26	-4.5%
<i>Driving License Fees</i>	21	21	0.0%
Administrative Charges	26	31	19.2%
Sales (Official Gazette and License Number)	3	3	0.6%
Permit Fees (mostly work permit fees)	78	86	9.5%
Other Administrative Fees & Charges	14	23	64.9%
Penalties & Confiscations	35	33	-4.7%
Other Non-Tax Revenues (mostly retirement deductibles)	274	232	-15.2%

Source: MOF, DGF

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	2017 Jan-Nov	2018 Jan-Nov	% Change 2018/2017
1. Current Expenditures	18,032	21,532	19.4%
1.a Personnel Cost, of which:	7,283	8,891	22.1%
Salaries, Wages and Related Items	4,743	5,604	18.1%
Retirement and End of Service Compensations, of which:	2,131	2,825	32.6%
Retirement	1,830	2,137	16.8%
End of Service	301	688	128.6%
Transfers to Public Institutions to Cover Salaries	409	461	12.8%
1.b Interest Payments 1/, of which:	6,982	7,736	10.8%
Domestic Interest Payments	4,443	4,427	-0.4%
Foreign Interest Payments	2,539	3,309	30.3%
1.c Accounting Adjustments	-47	0	-100.0%
1.d Foreign Debt Principal Repayment	280	281	0.3%
1.e Materials and Supplies, of which:	487	504	3.4%
Nutrition	75	79	4.3%
Fuel Oil	41	48	16.6%
Medicaments	295	287	-2.5%
1.f External Services	137	194	41.8%
1.g Various Transfers, of which:	2,344	3,207	36.8%
EDL 2/	1,734	2,452	41.4%
NSSF	0	0	-
Higher Council of Relief	41	1	-96.4%
Contributions to non-public sectors	295	282	-4.3%
Transfers to Directorate General of Cereals and Beetroot 3/	16	18	11.1%
1.h Other Current, of which:	429	615	43.3%
Hospitals	307	338	10.1%
Others (judgments & reconciliations, mission costs, other)	112	268	139.4%
1.i Interest Subsidy	136	105	-22.7%
2. Capital Expenditures	989	1,351	36.6%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	2	30	-
2.b Equipment	60	66	8.8%
2.c Construction in Progress, of which:	754	1,032	36.8%
Displaced Fund	30	10	-66.7%
Council of the South	40	57	40.4%
CDR	419	463	10.4%
Ministry of Public Work and Transport	88	59	-32.7%
Other of which:	167	189	12.6%
Higher Council of Relief	50	71	42.7%
2.d Maintenance	127	191	50.1%
2.e Other Expenditures Related to Fixed Capital Assets	45	32	-28.3%
3. Budget Advances 4/	274	259	-5.7%
4. Customs Administration (exc. Salaries and Wages) 5/	82	138	68.3%
5. Treasury Expenditures 6/	1,177	1,676	42.4%
Municipalities	562	831	47.9%
Guarantees	95	85	-10.4%
Deposits 7/	276	218	-21.0%
Other, of which:	245	542	121.5%
VAT Refund	197	196	-0.6%
6. Unclassified Expenditures	0	0	-
7. Total Expenditures (Excluding CDR Foreign Financed)	20,554	24,955	21.4%

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 Jan-Nov	2018 Jan-Nov	% Change 2018/2017
Interest Payments	6,982	7,736	10.8%
Local Currency Debt	4,443	4,427	-0.4%
Foreign Currency Debt, of which:	2,539	3,309	30.3%
Eurobond Coupon Interest*	2,453	3,219	31.2%
Special bond Coupon Interest*	2	1	-58.9%
Concessional Loans Interest Payments	84	89	6.4%
Foreign Debt Principal Repayment	280	281	0.3%

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 EDL¹

(LL billion)	2017 Jan-Nov	2018 Jan-Nov	% Change 2018/2017
EDL, of which:	1,734	2,452	41.5%
Debt Service	15	9	-34.4%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	1,648	2,424	47.1%
Transfer Electricity Syria	71	19	-72.9%

Source: MOF, DGF

⁽¹⁾ Prior to 2005, transfers to EDL were recorded under the line item "treasury expenditures", because they were paid through treasury advances based on decrees issued by the Council of Ministers. Starting 2005, transfers to EDL were included in the yearly budget as an allocation classified as a loan. In 2009, the said budget item was reclassified to become a subsidy to the electricity company rather than a treasury. In the fiscal performance, transfers to cover EDL's gas and fuel oil costs remained classified under "treasury expenditures" until August 2010 when it was reclassified under "budget expenditures". This reclassification, however, was not reflected in the 2010 PFM issues to avoid a disruption in the series and in order to keep the figures published in the PFM throughout 2010 consistent and comparable. Since January 2011, EDL transfers have been reclassified under "budget expenditures".

SECTION 3: PUBLIC DEBT

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

(LL billion)	Dec-16	Dec-17	Nov-18	% Change Nov 18-Dec 17
Gross Public Debt	112,910	119,892	126,113	5.2%
Local Currency Debt	70,528	74,077	75,814	2.3%
* Accrued Interest Included in Debt	1,098	1,159	1,169	0.9%
a. Central Bank	30,150	35,580	38,956	9.5%
b. Commercial Banks(Including REPOs) 1/	29,581	27,756	25,380	-8.6%
c. Other Local Currency Debt (T-bills), of which:	10,797	10,741	11,478	6.9%
Public Entities	8,718	8,941	9,859	10.3%
Contractor bonds 2/	139	166	166	0.0%
Foreign Currency Debt 3/	42,382	45,815	50,299	9.8%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,506	2,973	2,912	-2.0%
b. Paris II Related Debt (Eurobonds and Loans) 4/	631	86	0	-100.0%
c. Paris III Related Debt (Eurobonds and Loans) 5/	660	452	343	-24.2%
d. Market-Issued Eurobonds	38,063	41,791	46,678	11.7%
e. Accrued Interest on Eurobonds	458	480	360	-25.0%
f. Special T-bills in Foreign Currency 6/	63	33	6	-81.8%
Public Sector Deposits	14,586	15,659	13,020	-16.9%
Net Debt 7/	98,324	104,233	113,093	8.5%
Gross Market Debt 8/	70,303	71,944	74,135	3.0%
% of Total Debt	62%	60%	59%	-

Source: MOF, DGF

⁽¹⁾ 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 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, 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.



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