

TABLE OF CONTENTS

Revenues

Page 1-2

Expenditures

Page 2-3

Public Debt Developments

Page 3

General Overview

The **total fiscal balance** narrowed during the first eight months of 2019 recording a deficit of LL 4,449 billion compared to a wider deficit of LL 5,099 billion registered in the same period of 2018. Public spending shrank as a result of lower (i) transfers to municipalities by LL 310 billion, (ii) interest payments by LL 204 billion, and (iii) transfers to EDL by LL 127 billion.

On the other hand, government revenues dropped by 4.5 percent to reach LL 11,613 billion as (i) transfers from Telecom Surplus dropped by LL 291 billion, (ii) collections from VAT fell by LL 245 billion, and (iii) real estate registration fees decreased by LL 150 billion. In addition, treasury revenues witnessed a significant drop of LL 418 billion to reach LL 515 billion in Jan-Aug 2019.

The **primary balance** recorded a higher surplus of LL 556 billion in Jan-Aug 2019 compared to a surplus of LL 112 billion during the same period of 2018.

Table 1: Summary of Fiscal Performance

(LL billion)	2018 Jan-Aug	2019 Jan-Aug	% Change 2019/2018
Total Budget and Treasury Receipts	12,158	11,613	-4.5%
Total Budget and Treasury Payments, of which	17,257	16,062	-6.9%
Interest Payments	5,021	4,817	-4.1%
Concessional loans principal payments 1/	190	188	-0.9%
Primary Expenditures 2/	12,046	11,057	-8.2%
Total (Deficit)/Surplus	(5,099)	(4,449)	-12.8%
Primary (Deficit)/Surplus	112	556	-

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 decreased by LL 545 billion (4.5 percent) year-on-year to reach LL 11,613 billion in Jan-Aug 2019.

Tax revenues recorded LL 9,201 billion in Jan-Aug 2019, growing by LL 86 billion (0.9 percent) from a total of LL 9,114 billion registered during Jan-Aug 2018, driven by higher revenues from **taxes on income, profits, and capital gains**. Meanwhile, all other sub-categories witnessed a year-on-year decrease, with a significant drop observed in **domestic taxes on goods and services and taxes on property**.

In details, **taxes on income, profits and capital gains** increased by LL 587 billion (16.9 percent) year-on-year in Jan-Aug 2019, mainly as **tax on interest income** grew by LL 575 billion (50.7 percent) to reach LL 1,711 billion¹. **Income tax on profits** witnessed a modest year-on-year increase of LL 45 billion (3.5 percent) compared to the first eight months of 2018. On the other hand, **income tax on capital gains & dividends** dropped by LL 26 billion (7.1 percent) to reach LL 336 billion by the end of August 2019.

¹ Driven by higher interest rates on deposits, with an average of 8.84 percent in Jan-Aug 2019 compared to 6.72 percent in Jan-Aug 2018 for LL deposits, and a year-to-date average of 5.80 percent in 2019 compared to 4.07 percent in 2018 for FX deposits.

In contrast, **taxes on property** decreased by LL 184 billion (24.1 percent) by the end of August 2019, mainly as **real estate registration fees** dropped by LL 150 billion (31.8 percent). This drop reflected the year-on-year decrease in both the number as well as the average price of sold properties by 18.3 percent and 6.4 percent respectively over the covered period². In addition, **built property tax** witnessed a decline of LL 35 billion (15.9 percent) over the covered period.

Domestic taxes on goods and services dropped by LL 215 billion (6.9 percent) year-on-year in Jan-Aug 2019, given a LL 245 billion (9.2 percent) decline in the **value added tax**³ coupled with a LL 48 billion (26.0 percent) decrease in **private car registration fees**. These drops were partly counterbalanced by higher transfers from **Régie profits** which increased by LL 75 billion (60 percent) year-on-year to reach LL 200 billion in Jan-Aug 2019.

Taxes on international trade dropped by LL 69 billion (5.1 percent) due to a drop in **cars excise** by LL 83 billion (26.9 percent) – reflecting the 23 percent drop in the value of car imports – along with a LL 50 billion (10.0 percent) decrease in **custom fees**. Yet the decrease was partially counterbalanced by a rise in both **tobacco excise** and **gasoline excise** by LL 35 billion (43.6 percent)⁴ and LL 31 billion (6.7 percent)⁵ respectively.

Finally, **other tax revenues (namely fiscal stamp fees)** decreased by LL 32 billion (7.8 percent) compared to the same period last year, to reach LL 383 billion in Jan-Aug 2019, reflecting a drop in the concluded contracts and consequently a slower economic activity.

Non-tax revenues decreased by LL 213 billion (10.1 percent) to reach LL 1,897 billion in Jan-Aug 2019, as **income from public institutions and government properties** and **administrative fees and charges** dropped by LL 123 billion (9.5 percent) and LL 75 billion (12.1 percent) respectively. In details, **transfers from the Telecom Surplus** significantly fell by 291 billion (29.7 percent) year-on-year, despite a remarkable hike of LL 145 billion (192.7 percent) in **revenues from Port of Beirut**.

In addition, collections from **vehicle control fees** and **passport fees** were down by LL 79 billion (35.2 percent) and LL 13 billion (7.1 percent) respectively.

Other non-tax revenues (mostly retirement deductibles) dropped by LL 16 billion (9.2 percent) to reach LL 158 billion in Jan-Aug 2019.

Treasury receipts witnessed a sharp decrease of LL 418 billion (44.8 percent) to reach LL 515 billion in Jan-Aug 2019 compared to LL 934 billion during the same period of the 2018. It is worth mentioning that treasury receipts are transitory in nature and as such, variations in these collections are usually not reflective of the economic activity.

Expenditures

Total expenditures recorded a significant decrease of LL 1,195 billion (6.9 percent) to reach LL 16,062 billion in Jan-Aug 2019 due to lower spending within all main sub-components.

Current primary expenditures⁶ shrank by LL 298 billion (3.2 percent), reaching LL 9,150 billion in Jan-Aug 2019, driven by a drop in current expenditures classified under **others**

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

³ Owing to the 12.5 percent drop in the VAT collected at customs along with a 4.7 percent decline in the VAT collected internally.

⁴ Reflecting a rise in imports of tobacco from LL 114 billion in Jan-Aug 2018 to LL 153 billion in Jan-Aug 2019.

⁵ With gasoline imports increasing year-on-year by 5.8 percent in volume during Jan-Aug 2019.

⁶ Current primary expenditures represent current expenditures excluding interest payment and debt service.

(judgments & reconciliations, mission costs, other) and transfers to EDL by LL 153 billion (69.0 percent) and LL 127 billion (7.8 percent) respectively. Also, contributions to non-public sectors and expenses related to medicaments declined by LL 81 billion (33.8 percent) and LL 65 billion (45.2 percent) respectively. In contrast, retirement and end of service compensations recorded an increase of LL 530 billion (29.2 percent) while salaries, wages and social benefits rose slightly by 9 billion (0.2 percent) during the covered period.

Interest payments reached LL 4,817 billion in Jan-Aug 2019, LL 204 billion (4.1 percent) lower than the payments made a year earlier, as interest due on both local currency debt and foreign currency debt fell by LL 181 billion (5.7 percent) and LL 23 billion (1.3 percent) respectively. **Foreign debt principal repayments** slightly decreased by LL 2 billion to reach LL 188 billion in the first eight months of 2019.

Capital expenditures shrank significantly by LL 245 billion (25.6 percent) to reach LL 710 billion in Jan-Aug 2019, due to a LL 304 billion (43.7 percent) decrease in the construction in progress expenses. In addition, acquisitions of land, buildings, for the construction of roads, ports, airports, and water networks went down from LL 30 billion during Jan-Aug 2018 to nil in Jan-Aug 2019, while payments for maintenance increased by LL 78 billion (48.8 percent) compared to Jan-Aug 2018.

Treasury expenditures witnessed a significant decrease of LL 388 billion (28.0 percent) to reach LL 998 billion in Jan-Aug 2019, mainly due to a LL 310 billion drop in transfers to municipalities from LL 762 billion in Jan-Aug 2018 to LL 453 billion in Jan-Aug 2019.

Public Debt

Gross public debt grew to LL 130,085 billion by the end of August 2019 compared to a total of LL 128,347 billion by end-December 2018. In parallel, net debt increased by LL 2,792 billion (2.4 percent) to reach LL 116,953 billion, as public sector deposits declined by LL 1,054 billion (7.4 percent) over the period under review.

Local currency debt rose by LL 3,238 billion (4.2 percent) from its end-2018 level, with the central bank's holdings rising by LL 4,296 billion (11.0 percent) to reach LL 43,302 billion in August 2019. On the other hand, local currency debt holdings by Commercial Banks dropped by LL 1,080 billion (3.9 percent) to reach LL 26,322 billion. In contrast, other local currency debt holdings increased by LL 22 billion (0.2 percent) driven by the LL 85 billion (0.9 percent) rise in TBs held by Public Entities despite the LL 33 billion (19.9 percent) decrease in the contractor bonds reaching LL 133 billion by the end of August 2019.

The stock of **foreign currency debt** decreased by LL 1,500 billion (3.0 percent) to reach LL 48,995 billion by the end of August 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, "bilateral, multilateral and foreign private sector loans" and Paris III related bonds and loans both fell by LL 66 billion and LL 54 billion respectively compared to the end of 2018.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	2018 Jan-Aug	2019 Jan-Aug	% Change 2019/2018
Budget Revenues, of which:	11,224	11,098	-1.1%
Tax Revenues	9,114	9,201	0.9%
Non-Tax Revenues	2,110	1,897	-10.1%
Treasury Receipts	934	515	-44.8%
Total Revenues	12,158	11,613	-4.5%

Source: MOF, DGF

Table 3: Tax Revenues

(LL billion)	2018 Jan-Aug	2019 Jan-Aug	% Change 2019/2018
Tax Revenues:	9,114	9,201	0.9%
Taxes on Income, Profits, & Capital Gains, of which:	3,466	4,053	16.9%
Income Tax on Profits	1,271	1,316	3.5%
Income Tax on Wages and Salaries	661	666	0.7%
Income Tax on Capital Gains & Dividends	362	336	-7.1%
Tax on Interest Income	1,135	1,711	50.7%
Penalties on Income Tax	36	24	-34.3%
Taxes on Property, of which:	765	581	-24.1%
Built Property Tax	222	187	-15.9%
Real Estate Registration Fees	472	322	-31.8%
Domestic Taxes on Goods & Services, of which:	3,111	2,896	-6.9%
Value Added Tax	2,658	2,413	-9.2%
Other Taxes on Goods and Services, of which:	300	262	-12.6%
Private Car Registration Fees	185	137	-26.0%
Passenger Departure Tax	113	124	9.5%
Taxes on International Trade, of which:	1,357	1,288	-5.1%
Customs	501	451	-10.0%
Excises, of which:	857	838	-2.2%
Gasoline Excise	457	488	6.7%
Tobacco Excise	81	116	43.6%
Cars Excise	309	226	-26.9%
Other Tax Revenues (namely fiscal stamp fees)	415	383	-7.8%

Source: MOF, DGF

Table 4: Non-Tax Revenue

(LL billion)	2018	2019	% Change
	Jan-Aug	Jan-Aug	2019/2018
Non-Tax Revenues	2,110	1,897	-10.1%
Income from Public Institutions and Government Properties, of which:	1,288	1,165	-9.5%
Income from Non-Financial Public Enterprises, of which:	1,168	1,018	-12.8%
<i>Revenues from Casino Du Liban</i>	89	80	-9.8%
<i>Revenues from Port of Beirut</i>	75	220	-
<i>Budget Surplus of National Lottery</i>	21	26	25.2%
<i>Transfer from the Telecom Surplus</i>	981	690	-29.7%
Transfer from Public Financial Institution (BDL)	60	60	-0.1%
Property Income (namely rent of Rafic Hariri International Airport)	55	83	49.2%
Other Income from Public Institutions (interests)	5	4	-11.0%
Administrative Fees & Charges, of which:	625	549	-12.1%
Administrative Fees, of which:	522	434	-16.9%
<i>Notary Fees</i>	49	44	-9.5%
<i>Passport Fees/ General Security</i>	190	177	-7.1%
<i>Vehicle Control Fees</i>	224	146	-35.2%
<i>Judicial Fees</i>	19	21	10.4%
<i>Driving License Fees</i>	15	14	-10.8%
Administrative Charges	19	31	64.7%
Sales (Official Gazette and License Number)	2	2	-3.6%
Permit Fees (mostly work permit fees)	62	57	-8.1%
Other Administrative Fees & Charges	20	26	30.9%
Penalties & Confiscations	23	25	5.1%
Other Non-Tax Revenues (mostly retirement deductibles)	174	158	-9.2%

Source: MOF, DGF

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	2018	2019	% Change
	Jan-Aug	Jan-Aug	2019/2018
1. Current Expenditures	14,659	14,155	-3.4%
1.a Personnel Cost, of which:	6,185	6,691	8.2%
Salaries, Wages and social benefits	4,045	4,054	0.2%
Retirement and End of Service Compensations, of which:	1,819	2,349	29.2%
<i>Retirement</i>	1,290	1,754	35.9%
<i>End of Service</i>	529	595	12.6%
Transfers to Public Institutions to Cover Salaries	321	287	-10.6%
1.b Interest Payments 1/, of which:	5,021	4,817	-4.1%
Domestic Interest Payments	3,184	3,003	-5.7%
Foreign Interest Payments	1,836	1,813	-1.3%
1.d Foreign Debt Principal Repayment	190	188	-0.9%
1.e Materials and Supplies, of which:	290	197	-32.1%
Nutrition	48	35	-27.7%
Fuel Oil	28	24	-12.3%
Medicaments	144	79	-45.2%
1.f External Services	151	95	-37.2%
1.g Various Transfers, of which:	2,254	1,779	-21.1%
EDL 2/	1,640	1,513	-7.8%
NSSF	0	0	-
Higher Council of Relief	1	0	-
Contributions to non-public sectors	240	159	-33.8%
Transfers to Directorate General of Cereals and Beetroot 3/	17	12	-28.7%
1.h Other Current, of which:	494	314	-36.3%
Hospitals	266	243	-8.4%
Others (judgments & reconciliations, mission costs, other)	222	69	-69.0%
1.i Other Financial expenses	1	1	-29.5%
1.j Interest subsidy	73	73	0.1%
2. Capital Expenditures	955	710	-25.6%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	30	0	-99.0%
2.b Equipment	41	49	19.5%
2.c Construction in Progress, of which:	696	391	-43.7%
Displaced Fund	10	0	-100.0%
Council of the South	40	49	22.2%
CDR	207	176	-15.2%
Ministry of Public Work and Transport	48	50	4.6%
Other of which:	137	116	-15.5%
<i>Higher Council of Relief</i>	58	20	-65.5%
2.d Maintenance	159	237	48.8%
2.e Other Expenditures Related to Fixed Capital Assets	29	32	12.3%
3. Budget Advances 4/	157	114	-27.5%
4. Customs Administration (exc. Salaries and Wages) 5/	100	86	-14.4%
5. Treasury Expenditures 6/	1,386	998	-28.0%
Municipalities	762	453	-40.6%
Guarantees	58	64	9.2%
Deposits 7/	124	226	82.0%
Other, of which:	441	256	-42.1%
VAT Refund	146	199	36.8%
6. Total Expenditures (Excluding CDR Foreign Financed)	17,257	16,062	-6.9%

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-Aug	2019 Jan-Aug	% Change 2019/2018
Interest Payments	5,021	4,817	-4.1%
Local Currency Debt	3,184	3,003	-5.7%
Foreign Currency Debt, of which:	1,836	1,813	-1.3%
Eurobond Coupon Interest*	1,773	1,746	-1.5%
Special bond Coupon Interest*	1	0	-84.7%
Concessional Loans Interest Payments	63	67	7.2%
Foreign Debt Principal Repayment	190	188	-0.9%

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-Aug	2019 Jan-Aug	% Change 2019/2018
EDL of which:	1,640	1,513	-7.8%
Debt Service	9	4	-60.9%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	1,631	1,509	-7.5%
Transfer Electricity Syria	19	0	-

Source: MOF, DGF

SECTION 3: PUBLIC DEBT

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

(LL billion)	Dec-17	Dec-18	Aug-19	% Change Aug 19 – Dec 18
Gross Public Debt	119,892	128,347	130,085	1.4%
Local Currency Debt	74,077	77,852	81,090	4.2%
* <i>Accrued Interest Included in Debt</i>	1,159	1,123	1,211	7.8%
a. Central Bank	35,580	39,006	43,302	11.0%
b. Commercial Banks (Including REPOs) 1/	27,756	27,402	26,322	3.9%
c. Other Local Currency Debt (T-bills), of which:	10,741	11,444	11,466	0.2%
<i>Public Entities</i>	8,941	9,956	10,041	0.9%
<i>Contractor bonds 2/</i>	166	166	133	-19.9%
Foreign Currency Debt 3/	45,815	50,495	48,995	-3.0%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,973	2,920	2,855	-2.2%
b. Paris II Related Debt (Eurobonds and Loans) 4/	86	0	0	-
c. Paris III Related Debt (Eurobonds and Loans) 5/	452	344	289	-15.8%
d. Market-Issued Eurobonds	41,791	46,678	44,945	-3.7%
e. Accrued Interest on Eurobonds	480	547	903	65.1%
f. Special T-bills in Foreign Currency 6/	33	6	3	-50.0%
Public Sector Deposits	15,659	14,186	13,132	-7.4%
Net Debt 7/	104,233	114,161	116,953	2.4%
Gross Market Debt 8/	71,944	76,204	73,673	-3.3%
% of Total Debt	60%	59%	57%	-4.6%

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.

