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General Overview

Public finances registered a lower deficit in the first month of 2019 compared to that of 2018, as primary expenditures decreased driven by lower transfers to municipalities, hospitals and transfers to Electricité du Liban (EDL). However, government revenues also decreased by 9 percent year-on-year due to a drop in treasury receipts by LL 297 billion. The **primary balance** recorded a surplus of LL 349 billion compared to a deficit of LL 160 in the same period of 2018 and the **total fiscal balance** improved to a lower deficit of LL 110 billion.

Table 1: Summary of Fiscal Performance

(LL billion)	January 2018	January 2019	% Change 2019/2018
Total Budget and Treasury Receipts	1,895	1,725	-9.0%
Total Budget and Treasury Payments, of which	2,466	1,834	-25.6%
•Interest Payments	384	433	12.8%
•Concessional loans principal payment ¹	27	26	-3.0%
•Primary Expenditures ²	2,055	1,375	-33.1%
Total (Deficit)/Surplus	(571)	(110)	-80.8%
Primary (Deficit)/Surplus	(160)	349	-

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 9.0 percent year-on-year to reach LL 1,725 billion in January 2019. However, non-tax revenues rose significantly by LL 143 billion to reach LL 271 billion in the first month of the year.

Tax revenues reached LL 1,361 billion after a drop of LL 16 billion (1.1 percent) from LL 1,376 billion in the previous year, with a decrease in all its sub-components except for Taxes on income, profits, and capital gains which increased by LL 117 billion (25.9 percent).

In details, **Domestic taxes on goods and services** dropped by LL 96 billion (16.5 percent) year-on-year in January 2019 driven by a LL 88 billion (16.1 percent) decrease in **Value Added Tax** due to lower collections from internal VAT by 19.9 percent and VAT at customs by 9.4 percent.

Taxes on property shrank by LL 19 billion (19.1 percent) in January 2019, mainly as **real estate registration fees** dropped by LL 30 billion (42.7 percent), given that sales of properties declined by 31.4 percent from the same month last year¹.

Taxes on international trade dropped by LL 11 billion (6.5 percent) due to a decline in cars excise by LL 8 billion, owing to a 21.0 percent decrease in the value of imported vehicles products and a 28.9 percent² drop in its quantity. As for gasoline imports,

¹ As per the General Directorate of Land Registry and Cadastre data.

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

collected excise increased by LL 4 billion (6.6 percent) as imported volume in litres increased by 1.5 percent. Tobacco excise collected in January 2019 remained unchanged from January 2018 and stood at LL 13 billion despite the volume imported more than doubling year on year to reach 1,536 tons in January 2019.

Other tax revenues (namely fiscal stamp fees) decreased by LL 6 billion (7.9 percent) to reach LL 65 billion in January 2019.

On the other hand, **Taxes on Income, Profits and Capital gains** were up by LL 117 billion (25.9 percent) year-on-year in January 2019, mainly affected by the increase in **Taxes on Interest Income** by LL 129 billion to reach LL 226 billion. In addition, **income tax on wages and salaries** also rose by LL 12 billion to reach LL 221 billion.

Non-tax revenues increased by LL 143 billion (111.5 percent) to reach LL 271 billion in the first month of 2019. This was mainly due to a LL 125 billion **transfer from the Telecom surplus** and higher revenues from **property income (namely rent of Rafic Hariri International Airport)** of LL 28 billion. However, **Administrative fees and charges** declined by LL 9 billion (11.2 percent) to reach LL 69 billion in January 2019, as a result of lower collections of **vehicle control fees** by LL 14 billion (45.4 percent) and **Passport Fees/ General Security** by LL 3 billion (13.4 percent). In addition, **other non-tax revenues (mostly retirement deductibles)** dropped by LL 6 billion (23.9 percent) to reach LL 18 billion in January 2019.

Treasury receipts witnessed a sharp decrease by LL 297 billion to reach LL 93 billion in January 2019 compared to January 2018.

Expenditures

Total expenditures recorded a significant drop of LL 631 billion (25.6 percent) to reach LL 1,834 billion in January 2019 due to lower spending in almost all sub-categories.

Current primary expenditures³ registered a decrease of LL 91 billion (7.4 percent) to reach LL 1,138 billion in January 2019, as a result of a drop in **transfers to hospitals** that went down by LL 167 billion. In parallel, other decreases in January 2019 included lower **transfers to EDL** and **contributions to non-public sectors** by LL 35 billion (26.2 percent) and LL 28 billion (52.1 percent), respectively. However, these decreases were counterbalanced by a LL 208 billion hike in **personnel cost** driven by higher Retirement and End of Service Compensations of LL 194 billion⁴ in January 2019.

Interest payments rose to LL 49 billion in January 2019 as interest payments due on domestic debt increased by LL 46 billion (14.3 percent). **Foreign debt principal repayments** registered a minor drop to reach LL 26 billion in January 2019 compared to LL 27 billion in the same period of 2018.

Capital expenditures dropped by LL 295 billion to reach LL 79 billion in January 2019 as a result of a LL 265 billion decrease in **construction in progress** expenses, as well as a LL 30 billion decline in the **acquisitions of land and buildings**.

Treasury expenditures witnessed a significant decrease of LL 287 billion (66.7 percent) to reach LL 143 billion in the first month of the year, mainly due to a drop in transfers to Municipalities from LL 414 billion in January 2018 to LL 30 billion in January 2019.

³ Current primary expenditures represent current expenditures excluding interest payment and debt service.

⁴ This was mainly due to the respective hikes of LL 160 billion and LL 34 billion registered in "End of Service" and "Retirement" in January 2019.

Public Debt

Gross public debt reached LL 128,619 billion by the end of January 2019, increasing by LL 272 billion (0.2 percent) from end-2018. In parallel, net debt rose by 0.3 percent to LL 114,505 billion, accompanied by a drop in public sector deposits that declined by 0.5 percent over the period under review.

Local currency debt increased by 0.1 percent to reach LL 77,901 billion as of end-January 2019, compared to LL 77,852 billion as of end-2018. In detail, Local Currency Debt held by the Central Bank increased by LL 178 billion (0.5 percent), whereas the holdings by the Commercial Banks dropped by LL 164 billion (0.6 percent). On the other hand, a LL 35 billion increase in other local currency debt holdings was recorded, with TBs held by Public Entities falling by LL 227 billion (2.3 percent) to reach LL 9,729 billion compared to LL 9,956 billion by the end of 2018.

The stock of **foreign currency debt** grew by (LL 223 billion) to reach LL 50,718 billion at end-January 2019, noting that the stock of market-issued Eurobonds remained almost unchanged at LL 46,678 billion. On the other hand, Bilateral, multilateral and foreign private sector loans dropped by LL 10 billion, whereas Paris III related bonds and loans decreased by LL 1 billion compared to the end of 2018.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	2018 January	2019 January	% Change 2019/2018
Budget Revenues, of which	1,504	1,631	8.5%
Tax Revenues	1,376	1,361	-1.1%
Non-Tax Revenues	128	271	111.5%
Treasury Receipts	391	93	-76.1%
Total Revenues	1,895	1,725	-9.0%

Source: MOF, DGF

Table 3: Tax Revenues

(LL billion)	2018 January	2019 January	% Change 2019/2018
Tax Revenues:	1,376	1,361	-1.1%
Taxes on Income, Profits, & Capital Gains, of which	451	568	25.9%
Income Tax on Profits	112	87	-22.5%
Income Tax on Wages and Salaries	209	221	5.9%
Income Tax on Capital Gains & Dividends	25	28	10.6%
Tax on Interest Income (7%)	97	226	132.3%
Penalties on Income Tax	8	6	-21.2%
Taxes on Property, of which:	101	82	-19.1%
Built Property Tax	22	26	18.5%
Real Estate Registration Fees	71	41	-42.7%
Domestic Taxes on Goods & Services, of which:	582	486	-16.5%
Value Added Tax	549	460	-16.1%
Other Taxes on Goods and Services, of which:	28	21	-24.0%
Private Car Registration Fees	20	14	-31.8%
Passenger Departure Tax	7	7	0.3%
Taxes on International Trade, of which:	171	160	-6.5%
Customs	63	55	-12.4%
Excises, of which:	109	106	-3.1%
Gasoline Excise	60	64	6.6%
Tobacco Excise	13	13	3.2%
Cars Excise	35	27	-21.9%
Other Tax Revenues (namely fiscal stamp fees)	70	65	-7.9%

Source: MOF, DGF

Table 4: Non-Tax Revenue

(LL billion)	2018 January	2019 January	% Change 2019/2018
Non-Tax Revenues	128	271	111.5%
Income from Public Institutions and Government Properties, of which	22	180	-
Income from Non-Financial Public Enterprises, of which:	12	142	-
<i>Revenues from Casino Du Liban</i>	12	11	-4.1%
<i>Revenues from Port of Beirut</i>	0	0	-
<i>Budget Surplus of National Lottery</i>	0	5	-
<i>Transfer from the Telecom Surplus</i>	0	125	-
Transfer from Public Financial Institution (BDL)	0	0	-
Property Income (namely rent of Rafic Hariri International Airport)	10	38	290.5%
Other Income from Public Institutions (interests)	0	0	66.9%
Administrative Fees & Charges, of which:	78	69	-11.2%
Administrative Fees, of which:	66	50	-24.3%
Notary Fees	6	5	-15.1%
Passport Fees/ Public Security	23	20	-13.4%
Vehicle Control Fees	31	17	-45.4%
Judicial Fees	2	2	13.3%
Driving License Fees	2	2	-20.2%
Administrative Charges	3	6	107.4%
Sales (Official Gazette and License Number)	0	0	-2.0%
Permit Fees (mostly work permit fees)	8	8	0.4%
Other Administrative Fees & Charges	1	6	-
Penalties & Confiscations	4	3	-28.9%
Other Non-Tax Revenues (mostly retirement deductibles)	24	18	-23.9%

Source: MOF, DGF

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	2018 January	2019 January	% Change 2019/2018
1. Current Expenditures	1,640	1,598	-2.6%
1.a Personnel Cost, of which	690	898	30.1%
Salaries, Wages and Related Items	473	488	3.1%
Retirement and End of Service Compensations, of which:	202	396	96.3%
Retirement	180	214	19.0%
End of Service	22	182	-
Transfers to Public Institutions to Cover Salaries	15	14	-8.1%
1.b Interest Payments 1/, of which:	384	433	12.8%
Domestic Interest Payments	324	370	14.3%
Foreign Interest Payments	60	63	4.7%
1.d Foreign Debt Principal Repayment	27	26	-3.0%
1.e Materials and Supplies, of which:	30	28	-8.6%
Nutrition	2	5	174.0%
Fuel Oil	0	5	-
Medicaments	13	6	-57.4%
1.f External Services	35	26	-26.0%
1.g Various Transfers, of which:	233	140	-39.9%
EDL 2/	134	99	-26.2%
NSSF	0	0	-
Higher Council of Relief	0	0	-
Contributions to non-public sectors	54	26	-52.1%
Transfers to Directorate General of Cereals and Beetroot 3/	0	0	-
1.h Other Current, of which:	238	37	-84.7%
Hospitals	192	25	-87.2%
Others (judgments & reconciliations, mission costs, other)	43	10	-76.3%
1.i Other Financial expenses	1	0	-98.0%
1.j Interest Subsidy	2	10	-
2. Capital Expenditures	374	79	-79.0%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	30	0	-100.0%
2.b Equipment	9	10	11.1%
2.c Construction in Progress, of which:	304	39	-87.2%
Displaced Fund	10	0	-100.0%
Council of the South	0	19	-
CDR	23	4	-80.4%
Ministry of Public Work and Transport	8	1	-83.2%
Other of which:	10	13	32.0%
Higher Council of Relief	1	0	-100.0%
2.d Maintenance	30	29	-2.9%
2.e Other Expenditures Related to Fixed Capital Assets	1	1	-39.4%
3. Budget Advances 4/	2	2	-18.2%
4. Customs Administration (exc. Salaries and Wages) 5/	20	14	-31.5%
5. Treasury Expenditures 6/	430	143	-66.7%
Municipalities	414	30	-92.7%
Guarantees	7	3	-51.0%
Deposits 7/	6	81	-
Other, of which:	3	28	-
VAT Refund	1	19	-
6. Unclassified Expenditures	-	-	-
7. Total Expenditures (Excluding CDR Foreign Financed)	2,466	1,834	-25.6%

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 January	2019 January	% Change 2019/2018
Interest Payments	384	433	12.8%
Local Currency Debt	324	370	14.3%
Foreign Currency Debt, of which:	60	63	4.7%
Eurobond Coupon Interest*	50	50	0.0%
Special bond Coupon Interest*	0.1	0.1	0.0%
Concessional Loans Interest Payments	10	13	27.2%

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 January	2019 January	% Change 2019/2018
EDL of which:	134	99	-26.2%
Debt Service	1	1	-4.3%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	133	98	-26.4%

Source: MOF, DGF

SECTION 3: PUBLIC DEBT

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

(LL billion)	Dec-17	Dec-18	Jan-19	% Change Jan 19 - Dec 18
Gross Public Debt	119,892	128,347	128,619	0.2%
Local Currency Debt	74,077	77,852	77,901	0.1%
* <i>Accrued Interest Included in Debt</i>	1,159	1,123	1,059	-5.7%
a. Central Bank	35,580	39,006	39,184	0.5%
b. Commercial Banks (Including REPOs) 1/	27,756	27,402	27,238	-0.6%
c. Other Local Currency Debt (T-bills), of which:	10,741	11,444	11,479	0.3%
<i>Public Entities</i>	8,941	9,956	9,729	-2.3%
<i>Contractor bonds 2/</i>	166	166	133	-19.9%
Foreign Currency Debt 3/	45,815	50,495	50,718	0.4%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,973	2,920	2,931	0.4%
b. Paris II Related Debt (Eurobonds and Loans) 4/	86	0	0	-
c. Paris III Related Debt (Eurobonds and Loans) 5/	452	344	344	0.2%
d. Market-Issued Eurobonds	41,791	46,678	46,678	0.0%
e. Accrued Interest on Eurobonds	480	547	762	39.3%
f. Special T-bills in Foreign Currency 6/	33	6	3	-50.0%
Public Sector Deposits	15,659	14,186	14,114	-0.5%
Net Debt 7/	104,233	114,161	114,505	0.3%
Gross Market Debt 8/	71,944	76,204	76,518	0.4%
% of Total Debt	60%	59%	59%	0.2%

Source: MOF, DGF

(1) REPOS are removed from central bank and added to commercial banks. cc

(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, 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.



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