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General Overview

The fiscal deficit witnessed a significant improvement in the first seven months of 2019 compared to the same period of 2018, driven by a 9.1 percent decline in total expenditures as current, capital and treasury expenditures dropped over the covered period. However, government revenues also dropped by 3.7 percent to reach LL 10,516 billion as collections from VAT and taxes on property fell by LL 195 billion and LL 175 billion respectively, adding to a sharp decline of LL 431 billion in treasury revenues.

As a result, **total fiscal balance** recorded a deficit of LL 3,631 billion in Jan-Jul 2019, compared to a wider deficit of LL 4,640 billion in the same period of 2018. In parallel, the **primary balance** recorded a surplus of LL 870 billion in Jan-Jul 2019 compared to a lower surplus of LL 102 billion during the same period of 2018.

Table 1: Summary of Fiscal Performance

(LL billion)	Jan- Jul 2018	Jan- Jul 2019	% Change 2019/2018
Total Budget and Treasury Receipts	10,925	10,516	-3.7%
Total Budget and Treasury Payments, of which	15,565	14,147	-9.1%
•Interest Payments	4,561	4,321	-5.3%
•Concessional loans principal payment ¹	181	180	-0.3%
•Primary Expenditures ²	10,823	9,646	-10.9%
Total (Deficit)/Surplus	(4,640)	(3,631)	-21.7%
Primary (Deficit)/Surplus	102	870	-

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 409 billion (3.7 percent) year-on-year to reach LL 10,516 billion in Jan-Jul 2019, due to a drop in non-tax revenues by LL 61 billion (3.50 percent) and treasury receipts by LL 431 billion (48.9 percent).

Tax revenues recorded LL 8,372 billion in Jan-Jul 2019, growing by LL 84 billion (1.0 percent) from a total of LL 8,288 billion registered during Jan-Jul 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 noticeable 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 545 billion (17.0 percent) year-on-year in Jan-Jul 2019, mainly as **taxes on interest income** hiked by LL 509 billion (52.8 percent) to reach LL 1,472 billion¹. **Income tax on profits** also witnessed a year-on-year increase of LL 54 billion (4.3 percent) compared to the first seven months of 2018. Meanwhile, **income tax on capital gains & dividends** dropped slightly by LL 8 billion (2.5 percent) to reach LL 311 billion by the end of July 2019.

¹ Driven by higher interest rates on deposits, with an average of 8.82 percent in Jan-Jul 2019 compared to 6.67 percent in Jan-Jul 2018 for LL deposits, and a year-to-date average of 5.74 percent in 2019 compared to 4.05 percent in 2018 for FX deposits.

In contrast, **domestic taxes on goods and services** dropped by LL 188 billion (6.7 percent) year-on-year in Jan-Jul 2019, given a LL 195 billion (8.0 percent) decline in **value added tax** - owing to the 11.6 percent drop in the VAT collected at customs along with a 3.6 percent decline in the VAT collected internally – coupled with a LL 43 billion (26.1 percent) decrease in **private car registration fees**. On the other hand, transfers from **Régie profits** significantly increased year-on-year by LL 55 billion (57.9 percent) to reach LL 150 billion in Jan-Jul 2019.

Taxes on property also decreased by LL 175 billion (25.1 percent) by the end of July 2019, mainly as **real estate registration fees** dropped by LL 144 billion (34.1 percent). This drop reflected the year-on-year decrease in both the number as well as the average price of sold properties by 23.5 percent and 13.2 percent respectively over the covered period². In addition, **built property tax** witnessed a decline of LL 33 billion (15.9 percent) over the covered period.

Taxes on international trade dropped by LL 58 billion (4.9 percent) due to a drop in **cars excise** by LL 73 billion (26.6 percent) – reflecting the 22.4 percent drop in the value of car imports – along with a LL 44 billion (9.9 percent) decrease in **custom fees**. Yet the decrease was partially counterbalanced by a rise in both **tobacco excise** and **gasoline excise** by LL 31 billion (44.3 percent)³ and LL 29 billion (7.5 percent)⁴ respectively.

Finally, **other tax revenues (namely fiscal stamp fees)** decreased by LL 40 billion (10.6 percent) compared to the same period last year, to reach LL 340 billion in Jan-Jul 2019.

Non-tax revenues decreased by LL 61 billion (3.5 percent) to reach LL 1,695 billion in Jan-Jul 2019, mainly driven by a LL 81 billion (14.5 percent) drop in **administrative fees and charges** as a result of lower collections of **vehicle control fees** and **passport fees** by LL 82 billion (40.1 percent) and LL 13 billion (8.2 percent) respectively.

Income from public institutions and government properties increased by LL 37 billion (3.6 percent) to reach LL 1,058 billion in Jan-Jul 2019 led by higher **revenues from Port of Beirut** by LL 75 billion (100 percent) and **property income (namely rent of Rafic Hariri International Airport)** by LL 26 billion (50.9 percent). However, these increases were partially offset by a LL 40 billion (5.5 percent) drop in **transfers from the Telecom Surplus**.

Other non-tax revenues (mostly retirement deductibles) dropped by LL 18 billion (11.6 percent) to reach LL 139 billion in Jan-Jul 2019.

Treasury receipts witnessed a sharp decrease by LL 431 billion (49.0 percent) to reach LL 449 billion in Jan-Jul 2019 compared to LL 880 billion during the same period of the 2018.

Expenditures

Total expenditures recorded a significant decrease of LL 1,417 billion (9.1 percent) to reach LL 14,147 billion in Jan-Jul 2019 due to lower spending within all main sub-components.

Current primary expenditures⁵ shrank by LL 575 billion (6.8 percent), reaching LL 7,919 billion in Jan-Jul 2019, driven by lower **transfers to EDL** and **salaries, wages and social benefits** by LL 170 billion (11.8 percent) and LL 136 billion (3.8 percent) respectively. Also,

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

³ Reflecting a rise in imports of tobacco from LL 96 billion in Jan-Jul 2018 to LL 135 billion in Jan-Jul 2019.

⁴ With gasoline imports increasing year-on-year by 7.1 percent in volume during Jan-Jul 2019.

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

current expenditures classified under **others (judgments & reconciliations, mission costs, other)** dropped by LL 124 billion (68.6 percent) to reach LL 57 billion. In contrast, expenditure items such as retirement and end of service compensations witnessed an increase of LL 235 billion (18.2 percent) and LL 136 billion (29.7 percent) respectively during the covered period.

Interest payments reached LL 4,321 billion in Jan-Jul 2019, LL 240 billion (5.3 percent) lower than the payments a year earlier, as interest payments due on both **local currency debt** and **foreign currency debt** fell by LL 217 billion (7.6 percent) and LL 24 billion (1.4 percent) respectively. **Foreign debt principal repayments** slightly decreased by LL 1 billion from a total of LL 181 billion registered in the first seven months of 2018.

Capital expenditures shrank significantly by LL 203 billion (23.2 percent) to reach LL 671 billion in Jan-Jul 2019, due to a LL 275 billion (43.2 percent) decrease in the **construction in progress** expenses. In addition, **acquisitions of land, buildings, for the construction of roads, ports, airports, and water networks** were nil during Jan-Jul 2019 compared to LL 30 billion a year earlier.

Treasury expenditures witnessed a significant decrease of LL 295 billion (24.2 percent) to reach LL 922 billion in Jan-Jul 2019, mainly due to a LL 273 billion drop in transfers to **municipalities** from LL 692 billion in Jan-Jul 2018 to LL 419 billion in Jan-Jul 2019.

Public Debt

Gross public debt grew to LL 129,652 billion by the end of July 2019 compared to a total of LL 128,347 billion by end-December 2018. Accordingly, net debt increased by LL 2,030 billion (1.8 percent) to reach LL 116,191 billion, as public sector deposits declined by LL 725 billion (5.1 percent) over the period under review.

Local currency debt rose by LL 2,977 billion (3.8 percent) from its end-2018 level, with the central bank's holdings rising by LL 4,136 billion (10.6 percent) to reach LL 43,142 billion in July 2019. On the other hand, local currency debt holdings by Commercial Banks dropped by LL 936 billion (3.4 percent) to reach LL 26,466 billion, along with a drop of LL 223 billion (1.9 percent) in other local currency debt holdings, with TBs held by Public Entities falling by LL 175 billion (1.8 percent) to reach LL 9,781 billion, and contractor bonds decreasing by LL 33 billion (19.9 percent) to a total of LL 133 billion by the end of July 2019.

The stock of **foreign currency debt** decreased by LL 1,672 billion (3.3 percent) to reach LL 48,823 billion by the end of July 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 75 billion and LL 53 billion respectively compared to the end of 2018.

SECTION 1: REVENUE OUTCOME

Table 2: Total Revenues

(LL billion)	2018 Jan-Jul	2019 Jan-Jul	% Change 2019/2018
Budget Revenues, of which	10,045	10,067	0.2%
Tax Revenues	8,288	8,372	1.0%
Non-Tax Revenues	1,757	1,695	-3.5%
Treasury Receipts	880	449	-49.0%
Total Revenues	10,925	10,516	-3.7%

Source: MOF, DGF

Table 3: Tax Revenues

(LL billion)	2018 Jan-Jul	2019 Jan-Jul	% Change 2019/2018
Tax Revenues:	8,288	8,372	1.0%
Taxes on Income, Profits, & Capital Gains, of which	3,213	3,758	17.0%
Income Tax on Profits	1,246	1,299	4.3%
Income Tax on Wages and Salaries	652	653	0.2%
Income Tax on Capital Gains & Dividends	319	311	-2.5%
Tax on Interest Income (7%)	964	1,472	52.8%
Penalties on Income Tax	32	21	-33.2%
Taxes on Property, of which:	697	522	-25.1%
Built Property Tax	210	177	-15.9%
Real Estate Registration Fees	422	278	-34.1%
Domestic Taxes on Goods & Services, of which:	2,812	2,624	-6.7%
Value Added Tax	2,430	2,235	-8.0%
Other Taxes on Goods and Services, of which:	263	221	-15.8%
<i>Private Car Registration Fees</i>	163	121	-26.1%
<i>Passenger Departure Tax</i>	98	99	1.6%
Taxes on International Trade, of which:	1,186	1,129	-4.9%
Customs	444	400	-9.9%
Excises, of which:	742	729	-1.8%
<i>Gasoline Excise</i>	391	421	7.5%
<i>Tobacco Excise</i>	70	101	44.3%
<i>Cars Excise</i>	273	200	-26.6%
Other Tax Revenues (namely fiscal stamp fees)	380	340	-10.6%

Source: MOF, DGF

Table 4: Non-Tax Revenue

(LL billion)	2018 Jan-Jul	2019 Jan-Jul	% Change 2019/2018
Non-Tax Revenues	1,757	1,695	-3.5%
Income from Public Institutions and Government Properties, of which	1,021	1,058	3.6%
Income from Non-Financial Public Enterprises, of which:	905	917	1.3%
<i>Revenues from Casino Du Liban</i>	77	69	-10.9%
<i>Revenues from Port of Beirut</i>	75	150	100.0%
<i>Budget Surplus of National Lottery</i>	21	6	-70.6%
<i>Transfer from the Telecom Surplus</i>	731	690	-5.5%
Transfer from Public Financial Institution (BDL)	60	60	-0.1%
Property Income (namely rent of Rafic Hariri International Airport)	51	77	50.9%
Other Income from Public Institutions (interests)	5	3	-24.5%
Administrative Fees & Charges, of which:	558	477	-14.5%
Administrative Fees, of which:	465	372	-20.0%
Notary Fees	42	38	-9.2%
Passport Fees/ Public Security	164	150	-8.2%
Vehicle Control Fees	205	123	-40.1%
Judicial Fees	17	19	12.3%
Driving License Fees	13	12	-10.6%
Administrative Charges	18	30	64.4%
Sales (Official Gazette and License Number)	2	2	-5.5%
Permit Fees (mostly work permit fees)	55	49	-10.1%
Other Administrative Fees & Charges	18	25	35.8%
Penalties & Confiscations	21	21	3.7%
Other Non-Tax Revenues (mostly retirement deductibles)	157	139	-11.6%

Source: MOF, DGF

SECTION 2: EXPENDITURE OUTCOME

Table 5: Expenditure by Economic Classification

(LL billion)	2018 Jan-Jul	2019 Jan-Jul	% Change 2019/2018
1. Current Expenditures	13,236	12,421	-6.2%
1.a Personnel Cost, of which	5,621	5,797	3.1%
Salaries, Wages and Related Items	3,589	3,453	-3.8%
Retirement and End of Service Compensations, of which:	1,743	2,114	21.2%
Retirement	1,287	1,522	18.2%
End of Service	456	592	29.7%
Transfers to Public Institutions to Cover Salaries	289	230	-20.4%
1.b Interest Payments 1/, of which:	4,561	4,321	-5.3%
Domestic Interest Payments	2,835	2,618	-7.6%
Foreign Interest Payments	1,727	1,703	-1.4%
1.d Foreign Debt Principal Repayment	181	180	-0.3%
1.e Materials and Supplies, of which:	226	155	-31.1%
Nutrition	48	35	-26.5%
Fuel Oil	26	21	-18.6%
Medicaments	87	43	-50.7%
1.f External Services	142	90	-36.8%
1.g Various Transfers, of which:	2,009	1,513	-24.7%
EDL 2/	1,434	1,264	-11.8%
NSSF	0	0	-
Higher Council of Relief	0	0	-
Contributions to non-public sectors	218	146	-32.9%
Transfers to Directorate General of Cereals and Beetroot 3/	17	12	-28.7%
1.h Other Current, of which:	424	292	-31.1%
Hospitals	238	233	-2.1%
Others (judgments & reconciliations, mission costs, other)	180	57	-68.6%
1.i Other Financial expenses	1	1	-29.5%
1.j Interest Subsidy	71	72	1.3%
2. Capital Expenditures	874	671	-23.2%
2.a Acquisitions of Land, Buildings, for the Construction of Roads, Ports, Airports, and Water Networks	30	0	-99.0%
2.b Equipment	39	48	23.6%
2.c Construction in Progress, of which:	635	360	-43.2%
Displaced Fund	10	0	-100.0%
Council of the South	40	19	-52.2%
CDR	199	176	-11.6%
Ministry of Public Work and Transport	47	50	4.9%
Other of which:	85	115	35.2%
Higher Council of Relief	11	20	89.4%
2.d Maintenance	142	230	62.5%
2.e Other Expenditures Related to Fixed Capital Assets	29	32	12.7%
3. Budget Advances 4/	150	52	-65.1%
4. Customs Administration (exc. Salaries and Wages) 5/	88	82	-7.4%
5. Treasury Expenditures 6/	1,216	922	-24.2%
Municipalities	692	419	-39.5%
Guarantees	51	55	6.9%
Deposits 7/	119	219	84.7%
Other, of which:	355	229	-35.5%
VAT Refund	131	178	35.3%
6. Total Expenditures (Excluding CDR Foreign Financed)	15,565	14,147	-9.1%

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-Jul	2019 Jan-Jul	% Change 2019/2018
Interest Payments	4,561	4,321	-5.3%
Local Currency Debt	2,835	2,618	-7.6%
Foreign Currency Debt, of which:	1,727	1,703	-1.4%
Eurobond Coupon Interest*	1,665	1,638	-1.6%
Special bond Coupon Interest*	0.8	0.1	-84.7%
Concessional Loans Interest Payments	61	65	7.0%
Foreign Debt Principal Repayment	181	180	-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 EDL

(LL billion)	2018 Jan-Jul	2019 Jan-Jul	% Change 2019/2018
EDL of which:	1,434	1,264	-11.8%
Debt Service	8	4	-54.9%
Reimbursement for purchase of Natural Gas, Fuel & Gas Oil	1,426	1,261	-11.6%
Transfer Electricity Syria	19	0	-

Source: MOF, DGF

SECTION 3: PUBLIC DEBT

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

(LL billion)	Dec-17	Dec-18	July-19	% Change Jul 19 – Dec 18
Gross Public Debt	119,892	128,347	129,652	1.0%
Local Currency Debt	74,077	77,852	80,829	3.8%
* <i>Accrued Interest Included in Debt</i>	1,159	1,123	1,226	9.2%
a. Central Bank	35,580	39,006	43,142	10.6%
b. Commercial Banks (Including REPOs) 1/	27,756	27,402	26,466	-3.4%
c. Other Local Currency Debt (T-bills), of which:	10,741	11,444	11,221	-1.9%
<i>Public Entities</i>	8,941	9,956	9,781	-1.8%
<i>Contractor bonds 2/</i>	166	166	133	-19.9%
Foreign Currency Debt 3/	45,815	50,495	48,823	-3.3%
a. Bilateral, Multilateral and Foreign Private Sector Loans	2,973	2,920	2,845	-2.6%
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	739	35.1%
f. Special T-bills in Foreign Currency 6/	33	6	3	-50.0%
Public Sector Deposits	15,659	14,186	13,461	-5.1%
Net Debt 7/	104,233	114,161	116,191	1.8%
Gross Market Debt 8/	71,944	76,204	73,670	-3.3%
% of Total Debt	60%	59%	57%	-

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.

