

Fiscal Performance Report for the Month of April 2000

Budget performance in April 2000 improved in comparison with the corresponding month of 1999. The budget deficit for April 2000 was equivalent to 57.7% of total budget expenditure. In comparison, the deficit for April 1999 was equivalent to 61% of expenditure. Furthermore, the deficit from combined budget + treasury transactions declined, from 61.2% in April 1999 to 56.7% in April 2000. Both budget revenue and expenditure rose in April, with revenues increasing by LL 40 billion and expenditures rising by LL 34 billion over the previous year's figures.

Budget Revenue Performance:

Highlights of the increase in revenues in April 2000 were:

1. Tax revenues (excluding customs revenues) increased by 28%, from LL 64 billion in April 1999 to LL 82 billion in April 2000. This may be attributed, in part, to the higher tax rates that were introduced in 1999.
2. Customs revenues dropped by 11%, from LL 152 billion in April 1999 to around LL 136 billion in April 2000. This resulted, in part, from the appreciation of the Lebanese Pound against major currencies which restrained the growth of the dutiable value of imports when expressed in Lebanese pounds.
3. Non-tax revenues increased by 43% from LL 89 billion in April 1999 to LL 127 billion in April 2000. This was mainly due to the increase in transfers from the Directorate of Post and Telecommunications in relation to the amount transferred in April 1999. This increase was also due to the BDL's transfer to the government of its share of the Bank's profits in 1999.

Budget Expenditures Performance:

Expenditures (excluding debt servicing) increased by 29% from LL 218 billion in April 1999 to 282 in April 2000. Among the major factors underlying this increase was the continuing speed up in disbursing expenditure allocations from the 2000 Budget, that was done, in part, to boost economic activity. This acceleration of disbursement may be observed by comparing the growth of expenditures from January through April for the years 1998-2000 (after deducting the debt servicing). The ratio of expenditure disbursements to allocations was 19.22% in January-April 1998 then decreased to 18.42% for the same

period of 1999 when disbursements were restrained by the delay in approving the budget for 1999. However, the ratio rose to 24.67% for the period January-April of this year. In contrast, the cost of servicing public debt decreased by 5%, from LL 565 billion in April 1999 to LL 536 billion in April 2000. The major factor contributing to this decrease was the decrease in the level of interest rates on the T-bills dominated in Lebanese pounds.

Summary of Budget Performance January - April 2000:

The cumulative budget results for the first four months of the year 2000 show that budget revenues amounted to LL 1287 billion, representing an increase of 8% over the same period of the previous year. Budget expenditures for this period amounted to LL 2344 billion, representing an increase of 19% over the corresponding period in 1999. Consequently, the budget deficit for the four months period amounted to LL 1,057 billion. The estimated deficit for the year 2000, as indicated in the 2000 Budget law, amounts to LL 3,300 billion.

Summary of Treasury Transactions:

The overall deficit for combined budget + treasury transactions was equivalent to 53% of expenditures in the first four months of the current year compared with 45% for the same period of last year. It should be mentioned, however, that the MOF expects tax revenues to increase in the coming months following the lapse of the deadline for late filing without penalties. Just as the previous year, it is expected that the rate of growth of revenues will increase in the last quarter of this year. In contrast, the monthly rate of spending out of the appropriations from the 2000 budget is not expected to increase.

The budget outcome for April 2000 witnessed a primary surplus (after deducting the debt service) of LL 64 billion, equivalent to 8% of total expenditures. In comparison, the primary surplus was LL 87 billion or 11% in April 1999, and LL 13 billion or 2% in March 2000. The primary surplus for the period January through April 2000 was LL 321 billion or 14% of total expenditures, compared to a primary surplus of LL 394 billion or 20% of expenditures for the same period of the previous year.

An estimated 80% of the deficit from combined budget + treasury transactions was financed by drawing down the accumulated liquidity in the treasury account at the Banque du Liban. There was also an increase of about LL 400 billion in net issuance of T-Bill to finance the remaining expenses. Thus, the public debt rose by 1.5 percent in the four months following the execution of the 2000 budget. The percentage increase in total public debt in the same period of the previous year was 3.5%.