



**PUBLIC FINANCE QUARTERLY REPORT**  
**Ministry of Finance**  
**QII 2007\***

☒ **General Fiscal Developments:**

The first half of 2007 saw the fiscal balance registering a deficit of LL 1,848 billion, a deterioration of LL 698 billion compared to the same period in 2006. The increase in the total deficit was due to a 21 percent increase in total payments which offset the 10 percent increase in total receipts.

(section 1).

☒ **Revenues:**

Increases in both budget and treasury receipts led to improvements in revenues of 10 percent to total 4,498 billion in the first half of 2007 compared to LL 4,082 billion in the first half of 2006, with non-tax revenues driving higher budget revenues.

(section 2).

☒ **Expenditures:**

Total expenditures increased by 21 percent to LL 6,346 billion due to higher interest and non-interest expenditures with 13.3 percent higher debt service payments and 26.9 percent larger non-interest payments in the first half of 2007 compared to the same period in 2006.

(section 3).

☒ **Public Debt Developments:** By the end of the first half of 2007, gross public debt amounted to LL 59,937 billion, a 1.5 percent decrease over the end-December 2006 level. Local currency debt decreased by 2.4 percent to LL 29,472 billion. Foreign currency debt also decreased, by 0.6 percent to LL 30,465 billion.

(section 4).

☒ **International Trade:**

With higher imports of 8.1 percent to US\$ 5,468 million and higher exports of 0.7 percent to US\$ 1,312 million, the trade deficit widened by 10.7 percent to US\$ 4,156 million in the first two quarters of 2007 compared to the same period in 2006.

(section 5).

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## Section I: Fiscal Overview

**Table 1. Summary of Fiscal Performance**

(LL billion)	2006	2007	2006	2007	Change	%
	June	June	Jan-June	Jan-June	2006-2007	Change
Budget Revenue	391	550	3,896	4,117	221	5.7%
Budget Expenditures	862	780	4,596	5,103	506	11.0%
<b>o/w Previous Years Appropriations</b>	<b>4</b>	<b>13</b>	<b>487</b>	<b>561</b>	<b>74</b>	<b>15.3%</b>
<i>o/w Debt Service</i>	409	393	2,160	2,448	288	13.3%
<b>Budget Deficit/Surplus</b>	<b>-472</b>	<b>-230</b>	<b>-701</b>	<b>-986</b>	<b>-285</b>	<b>40.7%</b>
in % of Budget Expenditures	-54.7%	-29.5%	-15.2%	-19.3%		
<b>Budget Primary Deficit/Surplus</b>	<b>-63</b>	<b>163</b>	<b>1,459</b>	<b>1,461</b>	<b>2</b>	<b>0.2%</b>
in % of Budget Expenditures	-7.3%	21.0%	31.7%	28.6%		
Treasury Receipts	25	38	187	381	195	104.3%
Treasury Payments	183	382	636	1,243	607	95.5%
Total Budget and Treasury Receipts	416	587	4,082	4,498	415	10.2%
Total Budget and Treasury Payments	1,045	1,161	5,232	6,346	1,114	21.3%
<b>Total Cash Deficit/Surplus</b>	<b>-629</b>	<b>-574</b>	<b>-1,150</b>	<b>-1,848</b>	<b>-698</b>	<b>60.7%</b>
in % of Total Expenditures	-60.2%	-49.4%	-22.0%	-29.1%		
<b>Primary Deficit/Surplus</b>	<b>-220</b>	<b>-180</b>	<b>1,010</b>	<b>600</b>	<b>-410</b>	<b>-40.6%</b>
in % of Total Expenditures	-21.1%	-15.5%	19.3%	9.4%		

Source: Ministry of Finance (MOF), Directorate General of Finance (DGF)

The **total deficit** (budget and treasury) registered LL 1,848 billion by end of June 2007, a deterioration of LL 698 billion compared to the deficit of LL 1,150 billion recorded by the end of June 2006. The 61 percent worsening of the deficit is mainly attributed to the 21 percent increase in **total expenditures** to LL 6,346 billion by the end of the first half of 2007 compared to the same period of 2006, offsetting the 10 percent (or LL 415 billion) higher **total revenues** to reach LL 4,498 billion by the end of June 2007.

The **primary surplus** during the first half of 2007 reached LL 600 billion, a 41 percent decrease compared to the primary surplus of LL 1,010 billion registered in the period January – June 2006.

## Section II: Revenue Outcome

**Table 2. Total Revenue**

(LL billion)	2006	2007	2006	2007	
	June	June	Jan-June	Jan-June	% Change
<b>Budget Revenues, of which:</b>	<b>391</b>	<b>550</b>	<b>3,896</b>	<b>4,117</b>	<b>5.7%</b>
<i>Tax Revenues</i>	335	370	2,901	2,901	0.0%
<i>Non-Tax Revenues</i>	55	179	995	1,216	22.2%
<b>Treasury Receipts</b>	<b>25</b>	<b>38</b>	<b>187</b>	<b>381</b>	<b>104.3%</b>
<b>Total Revenues</b>	<b>416</b>	<b>587</b>	<b>4,082</b>	<b>4,498</b>	<b>10.2%</b>

Source: MOF, DGF

**Total revenues** collected during the first half of 2007 reached LL 4,498 billion compared to LL 4,082 billion during the same period last year, registering an increase of 10 percent. This was due to increases in both budget and treasury receipts.

Concerning the **budget revenues**, the nearly 6 percent improvement was mainly driven by the 22 percent increase in non tax revenues, while tax revenues collection level did not change from the collection level recorded during the same period in 2006.

**Tax revenues** collected LL 2,901 billion collected in the first half of 2007, a zero percent change from last year; however on a disaggregated level, the first half of 2007 witnessed significant developments on the different types of taxes. In fact, the 8 percent increase in revenues from (i) the **taxes on income, profits, & capital gains** (namely 26 percent higher **income tax on capital gains and dividends**, 12 percent higher **tax on interest income**<sup>1</sup>, and 5 percent higher **income tax on profits**), (ii) the 6 percent rise in the collection of **domestic taxes on goods and services** (stemming from an 8 percent increase in revenues from the **Value Added Tax**), and (iii) the 10 percent increase in receipts from **taxes on international trade** (of which LL 11 billion higher customs and LL 43 billion higher excise taxes mainly stemming from fuel excise), compensating for the 40 percent and the 12 percent decline in collection from **taxes on property**<sup>2</sup> and the **fiscal stamp fees** respectively.

<sup>1</sup> It could be due to an increase in the private sector deposits at the commercial banks by 5 percent till May 2007 (according to the Commercial banks balance sheet published by the BDL)

<sup>2</sup> A year on year comparison of revenues from Taxes on Built Property is misleading because of the one-off exceptional inheritance tax receipt (a component of Taxes on Built Property) in the amount of LL 153 billion collected in April 2006.

**Table 3. Tax Revenue**

(LL billion)	2006	2007	2006	2007	%
	June	June	Jan- June	Jan- June	Change
<b>Tax Revenues:</b>	<b>335</b>	<b>370</b>	<b>2,901</b>	<b>2,901</b>	<b>0.0%</b>
<b>Taxes on Income, Profits, &amp; Capital Gains, of which:</b>	<b>51</b>	<b>105</b>	<b>788</b>	<b>848</b>	<b>7.6%</b>
<i>Income Tax on Profits</i>	12	62	409	427	4.5%
<i>Income Tax on Wages and Salaries</i>	3	2	106	112	6.2%
<i>Income Tax on Capital Gains &amp; Dividends</i>	7	13	68	86	25.9%
<i>Tax on Interest Income (5%)</i>	28	28	195	217	11.5%
<i>Penalties on Income Tax</i>	1	0	9	5	-45.1%
<b>Taxes on Property, of which:</b>	<b>37</b>	<b>33</b>	<b>399</b>	<b>240</b>	<b>-39.8%</b>
<i>Built Property Tax</i>	6	2	63	70	10.9%
<i>Real Estate Registration Fees</i>	28	28	156	144	-7.6%
<b>Domestic Taxes on Goods &amp; Services, of which:</b>	<b>133</b>	<b>129</b>	<b>997</b>	<b>1,058</b>	<b>6.1%</b>
<i>Value Added Tax</i>	114	110	888	955	7.6%
<i>Other Taxes on Goods and Services, of which:</i>	19	19	100	99	-1.8%
<i>Private Car Registration Fees</i>	13	9	65	58	-10.2%
<i>Passenger Departure Tax</i>	7	10	35	40	14.8%
<b>Taxes on International Trade, of which:</b>	<b>93</b>	<b>85</b>	<b>569</b>	<b>624</b>	<b>9.6%</b>
<i>Customs</i>	47	42	254	265	4.6%
<i>Excises, of which:</i>	46	43	316	359	13.7%
<i>Petroleum Tax</i>	0	2	90	140	56.5%
<i>Tobacco Tax</i>	17	20	93	100	7.1%
<i>Tax on Cars</i>	29	21	130	116	-10.9%
<b>Other Tax Revenues (namely fiscal stamp fees)</b>	<b>20</b>	<b>19</b>	<b>148</b>	<b>131</b>	<b>-11.5%</b>

Source: MOF, DGF

Chart 1.

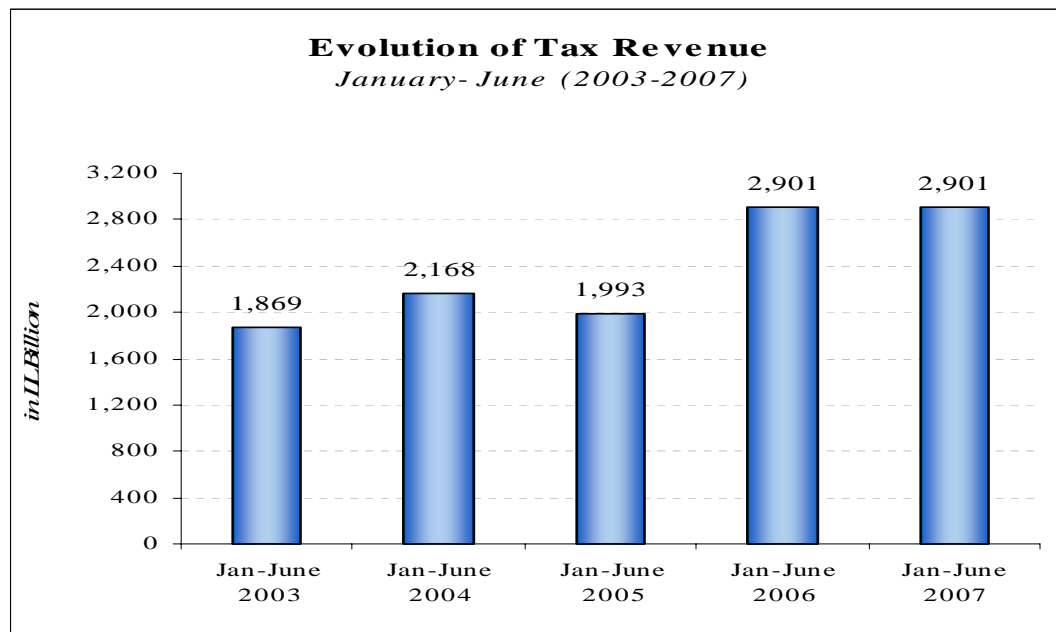


Table 4. Non-Tax Revenue

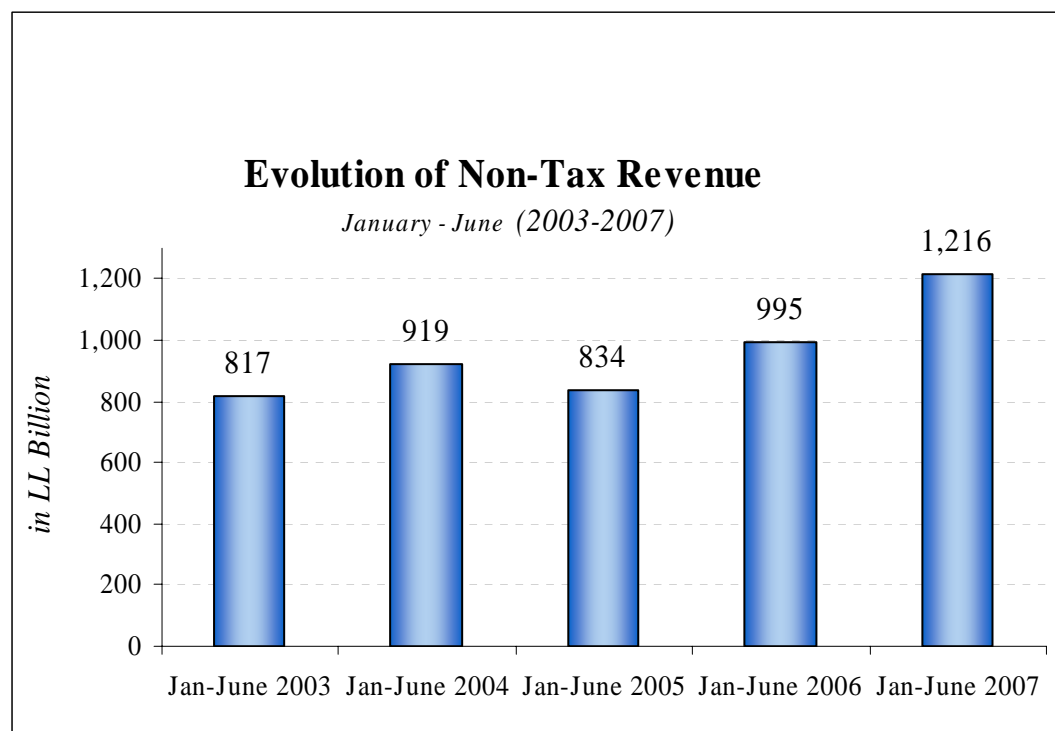
(LL billion)	2006 June	2007 June	2006 Jan-June	2007 Jan-June	% Change
<b>Non-Tax Revenues</b>	<b>55</b>	<b>179</b>	<b>995</b>	<b>1,216</b>	<b>22.2%</b>
<b>Income from Public Institutions and Government Properties, of which:</b>	<b>11</b>	<b>139</b>	<b>697</b>	<b>972</b>	<b>39.4%</b>
Income from Non-Financial Public Enterprises, of which:	8	135	677	836	23.4%
<i>Revenues from Casino Du Liban</i>	4	5	21	28	33.4%
<i>Revenues from Port of Beirut</i>	0	0	0	30	-
<i>Budget Surplus of National Lottery</i>	4	0	40	28	-30.0%
<i>Transfer from the Telecom Surplus</i>	0	130	616	750	21.8%
Property Income (namely rent of Rafic Hariri International Airport)	2	3	15	20	32.4%
Other Income from Public Institutions (interests)	0	1	3	3	-4.4%
<b>Administrative Fees &amp; Charges, of which:</b>	<b>35</b>	<b>34</b>	<b>247</b>	<b>202</b>	<b>-18.0%</b>
Administrative Fees, of which:	29	26	196	161	-17.6%
<i>Notary Fees</i>	2	2	10	10	2.8%
<i>Passport Fees/ Public Security</i>	10	11	59	53	-10.0%
<i>Vehicle Control Fees</i>	10	9	94	70	-25.2%
<i>Judicial Fees</i>	2	1	11	9	-15.5%
<i>Driving License Fees</i>	3	1	13	8	-37.3%
Administrative Charges	1	1	32	22	-29.5%
Sales (Official Gazette and License Number)	0	0	2	1	-12.1%
Permit Fees (mostly work permit fees)	5	4	32	22	-29.5%
Other Administrative Fees & Charges	0	2	8	6	-25.6%
<b>Penalties &amp; Confiscations</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>7.0%</b>
<b>Other Non-Tax Revenues (mostly retirement deductibles)</b>	<b>8</b>	<b>7</b>	<b>48</b>	<b>38</b>	<b>-19.9%</b>

Source: MOF, DGF

**Non-tax revenues** amounted to LL 1,216 billion during the first half of the year. These were 22 percent higher than the collection level recorded in the first half of 2006. In detail, the major components of the **income from public institutions and government properties** witnessed enhanced collection,<sup>3</sup> namely 33 percent higher Revenues from Casino Du Liban<sup>4</sup>, 22 percent higher Transfer from the Telecom Surplus<sup>5</sup>. Besides, the BDL has transferred LL 113 billion (during March 2007) representing 80 percent of its net profit according to the Article 113 of the Code of Money and Credit. On the other hand, mostly all fees under **administrative fees & charges** witnessed reduced collection, causing an overall 18 percent decrease year on year; namely: 25 percent lower Vehicle Control Fees<sup>6</sup>, 37 percent lower driving license, 12 percent lower Passport Fees, 16 percent lower judicial fees and 30 percent lower Permit Fees.

**Treasury revenues** increased by about 104 percent when compared to last year, due to a LL 151 billion grant received from Saudi Arabia during April 2007. Additionally, an amount equivalent to LL 38 billion was reported under "other Treasury revenues" which represents an adjustment entry regularizing a treasury advance payment.<sup>7</sup>

**Chart 2.**



<sup>3</sup> Note that the Treasury received LL 30 billion from Port of Beirut in early January 2007, pertaining however to the Treasury's share from Port revenues of 2006.

<sup>4</sup> As per the Government economic reform program presented at Paris III, and as per the government's aim at revenue enhancement, and particularly from public properties, a new phase of the agreement with Casino Management entered into effect, whereby Treasury's share of casino revenues increased from 30% to 40% as of 2007.

<sup>5</sup> Please note that an amount equivalent to \$ 92.5 million of arbitration settlement was paid to France Telecom in April 2007.

<sup>6</sup> Please note that the higher collection of vehicle control or road usage fees in 2006 may be attributed to the amnesty on penalties on unsettled dues, as per Article 29 of Budget Law 2005 (Law 715, February 3<sup>rd</sup>, 2006).

<sup>7</sup> Note that the amount is further recorded in treasury expenditure reported under the items "Materials and Supplies" and "Various Transfers" (Please refer to section 3: Expenditure Outcome). Therefore, from a fiscal deficit perspective it has no impact.

## Section III: Expenditure Outcome

**Table 5. Expenditures by Transaction Classification**

(LL billion)	2006	2007	2006	2007	%
	June	June	Jan- June	Jan- June	Change
<b>Total Expenditures</b>	<b>1,045</b>	<b>1,161</b>	<b>5,232</b>	<b>6,346</b>	<b>21.3%</b>
<b>Budget Expenditures</b>	<b>862</b>	<b>780</b>	<b>4,596</b>	<b>5,103</b>	<b>11.0%</b>
Expenditures Excluding Debt Service, of which:	453	386	2,437	2,655	9.0%
<i>Previous Years' Appropriations</i>	4	13	486	561	15.5%
Debt Service, of which:	<b>409</b>	<b>393</b>	<b>2,160</b>	<b>2,448</b>	<b>13.3%</b>
<i>Domestic Debt</i>	221	201	1,107	1299	17.4%
<i>Foreign Debt, of which:</i>	188	193	1,053	1148	9.1%
<i>Eurobond Coupon Interest*</i>	147	160	916	1004	9.6%
<i>Special bond Coupon Interest*</i>	13		13		
<i>Concessional Loans Principal</i>					
<i>Payments</i>	23	24	78	90	14.5%
<i>Concessional Loans Interest</i>					
<i>Payments</i>	4	8	46	55	19.6%
<b>Treasury Expenditures , of which:</b>	<b>183</b>	<b>382</b>	<b>636</b>	<b>1,243</b>	<b>95.5%</b>
<i>Municipalities</i>	60	25	163	103	-37.1%
<b>Non-Interest Expenditures (Total Expenditures minus Debt Service)</b>	<b>636</b>	<b>768</b>	<b>3,073</b>	<b>3,898</b>	<b>26.9%</b>

Source: MOF, DGF

\* Includes general expenses related to the transaction

For the period January-June 2007, **total expenditures for budget and treasury transactions** registered an amount of LL 6,346 billion, increasing by 21 percent compared to LL 5,232 billion for the same period of 2006. This increase is due to a rise in both interest and non-interest expenditures rose by LL 288 billion and LL 826 billion respectively as explained below:

1. **Debt service** registered a total of LL 2,448 billion in January-June 2007 increasing by 13 percent compared to LL 2,160 billion for the same period of 2006. This rise was due to higher interest payments in both local and foreign currency debt by around 17 and 9 percent respectively. The main reason behind the increase in interest payment on local currency debt is attributed to higher coupon payments resulting from an increase in the stock of long term T-bills. The increase in interest payment on foreign currency debt was due to an increase in stock of Eurobonds during the period August - December 2006 and hence higher Eurobonds coupon payments.

2. **Non-interest expenditures** increased by 27 percent to reach LL 3,898 billion in January-June 2007, compared to LL 3,073 billion for the same period of 2006. This rise is due to an increase in two out of the three components of this item: current primary budget expenditures, and other treasury expenditures, as follows:

**Current primary budget expenditures** registered a total of LL 2,442 billion in January-June 2007 when compared to LL 2,139 billion for the same period of 2006, increasing by LL 304 billion, mainly due to the following:

- i. An increase in **salaries and wages** by LL 177 billion, mainly due to the raise in the salaries and indemnities of the armed forces. In fact, since the beginning of the year, salaries and wages of the armed forces rose by LL 74 billion, mainly

due to the new recruitment that took place in the last quarter of 2006. Also, an additional salary (bonus) of LL 47 billion was paid to the armed forces as per the decision taken by the Council of Ministers (Cabinet meeting of 04/01/2007). A further increase was generated from the relatively higher payment of health allowances to the armed forces (maternity and sickness, and hospitalization), which rose by LL 22 billion during the period January-June 2007 when compared to the same period of last year. Finally, during January-June 2007, the civil servant cooperatives received a transfer of LL 30 billion, while only LL 10 billion were transferred during the corresponding period of 2006.

- ii. An increase in **materials and supplies** by LL 28 billion. It should be noted that of this increase, LL 20 billion resulted from an accounting entry to adjust for payment of treasury advances, and hence it is not considered as an additional spending. This adjustment was netted out by including a similar amount in the revenues.
- iii. An increase in **various transfers** of LL 115 billion is mainly due to the increase in transfers to the National Social Security Fund by LL 120 billion, offsetting the decrease in Non-profitable organizations by LL 12 billion.

**Capital expenditures** decreased by LL 65 billion in the first half of 2007 when compared to the same period of 2006. The main reason of this decrease is the lower level of spending reported in "Construction in Progress", mainly for the following reasons:

- i. Lower transfer to the Displaced Fund by LL 34 billion; only LL 21 billion was paid during the first 6 months when compared to LL 55 billion paid during the same period of last year. Out of this LL 21 billion, LL 15 billion were paid to the Displaced Fund in order to settle the disbursement of the decree (#292 dated 27/4/2004) that gives the right to the Council of the South and the Displaced Fund to have a treasury advance of LL 100 billion.
- ii. Lower transfer to the Council of Development and Reconstruction by around LL 43 billion.
- iii. As for the Council of the South, no change in the level of spending was noticed during the period of January-June 2007 in comparison to the same period last year. The LL 20 billion paid during this period was a disbursement of the decree # 292 dated 29/4/07 (refer to section (i) above).

For other capital-related spending, a decline was reported in **other expenditures related to fixed capital assets** by LL 7 billion. On the other hand, an increase of LL 12 billion was reported in **equipment**. As for **maintenance**, no difference was remarked during this period.

**Table 6. Expenditures by Economic Classification**

(LL billion)	2006	2007	% Change
	Jan-June	Jan-June	
<b>1. Current expenditures</b>	<b>4,299</b>	<b>4,890</b>	<b>13.76%</b>
1.a Personnel cost, of which	1,607	1,788	11.23%
<i>Article 13: Salaries and wages</i>	1,056	1,232	16.74%
<i>Retirement and end of service compensations</i>	446	451	1.16%
1.b Debt Service payments	2,160	2,448	13.32%
1.c Materials and supplies	71	99	40.20%
1.d External services	53	49	-7.38%
1.e Various transfers	247	362	46.66%
<i>o/w NSSF</i>	100	220	120.00%
1.f Other current	123	103	-15.92%
<i>Hospitals</i>	105	80	-23.93%
<i>Others</i>	17	21	22.63%
1.g Reserves (3)	38	41	8.12%
<i>Interest subsidy</i>	38	41	8.12%
<b>2. Capital expenditures</b>	<b>336</b>	<b>271</b>	<b>-19.21%</b>
2.a Acquisitions of land, buildings, for the construction of roads, ports, airports, and water networks	11	13	14.55%
2.b Equipment	12	24	98.92%
2.c Construction in Progress	254	182	-28.25%
2.d Maintenance	30	30	1.62%
2.e Other Expenditures Related to Fixed Capital Assets	29	22	-23.08%
<b>3. Other treasury expenditures, of which</b>	<b>582</b>	<b>1,164</b>	<b>99.92%</b>
Municipalities	163	101	-37.85%
EDL	151	847	462.43%
Transfers to Higher Council of Relief		6	100.00%
Treasury advances for diesel oil subsidy	52	0	-100.00%
<b>4. Unclassified expenditures</b>	<b>1</b>	<b>2</b>	<b>115.18%</b>
<b>5. Customs cashiers</b>	<b>15</b>	<b>19</b>	<b>28.59%</b>
<b>6. Total expenditures (excluding CDR foreign financed)</b>	<b>5,232</b>	<b>6,346</b>	<b>21.28%</b>

Source: Statement of account 36, cashier spending, Public Debt Department figures, Fiscal performance gross adjustment figures

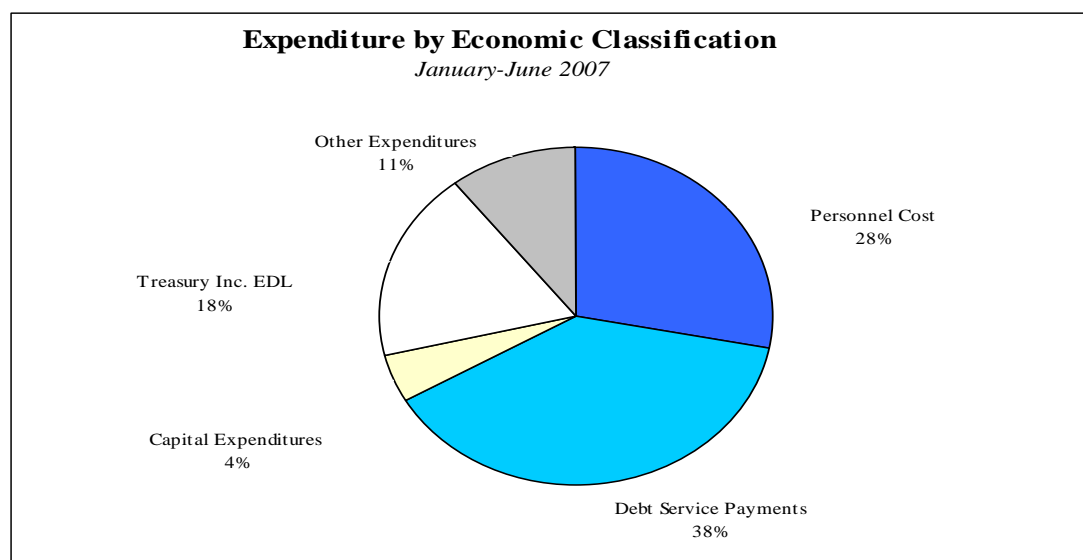
**Chart 3.**

Table 7. Transfers to EDL

(LBP billion)	2006	2007	Change
	Jan-June	Jan-June	
<b>EDL of which:</b>	<b>151</b>	<b>847</b>	<b>696</b>
<b>Debt Service of which:</b>	<b>112</b>	<b>210</b>	<b>98</b>
C-Loans and Eurobonds, of which:	<b>96</b>	<b>210</b>	<b>114</b>
Principal Repayment	68	189	121
Interest Payment	28	22	-6
BDL Guaranteed Loan Payment	0	10	10
<b>Repayment of loans for fuel oil and gas oil purchase (principal and interest)</b>	17	67	50
<b>Reimbursement of KPC and Sonatrach agreements</b>	38	560	522

Source: MOF, DGF

Other **treasury expenditures** increased by LL 582 billion for January-June 2007 when compared to the same period of last year. This was mainly due to the increase in transfers to EDL by LL 696 billion, which offset the decrease in transfers to **municipalities** and **treasury advances for diesel oil subsidy** by LL 62 billion and LL 52 billion respectively.

Transfers to **EDL** reached 847 billion LL for the first half of 2007, compared to LL 151 billion for the same period in 2006. This increase can be explained by the following two reasons:

- i. An increase in payments to Kuwait Petroleum Corporation and Algeria's Sonatrach for fuel oil and gas oil purchases by LL 522 billion, reaching a total of LL 560 billion in January-June 2007 as compared to LL 38 billion in January-June 2006. This is due to the extended payment system for such purchases under the signed contracts. The contracts came into effect around the beginning of 2006. Purchases against these contracts have been made since that date, whereas payments have been effected since June 2006.
- ii. An increase in debt service payments due to the repayment on June 29, 2007 of the USD 100 million Eurobond to finance power sector restructuring. The Eurobond has been guaranteed by the World Bank, and was issued in July 1997.

**Social expenditures** totaled LL 1,461 billion in the first half of 2007, a 7 percent increase compared to the LL 1,364 billion spent in the first half of 2006. (Refer to table 8 for details).

**Table 8. Social Spending for Jan-Jun 2006 vs. Jan-Jun 2007**

<i>(LL billion)</i>	Jan - June 2006	Jan - June 2007	Magnitude of over change 2007	Percentage change over 2007
<b>Health</b>				
Hospitalization in the private sector	105	80	-25	-24%
Purchase of medication	36	24	-12	-32%
Hospitalization of public sector employees in private sector	30	54	24	79%
Maternity and sickness allowance	20	24	3	17%
Other	30	28	-3	-8%
<b>Sub-Total</b>	<b>222</b>	<b>210</b>	<b>-12</b>	<b>-5%</b>
<b>Education</b>				
Ministry of Education and Higher Learning, of which	412	384	-27	-7%
<i>Wages and Salaries of the General Directorate of Education</i>	240	239	0	0%
<i>Wages and Salaries of the General Directorate of Higher Learning</i>	0	0	0	-9%
<i>Wages and Salaries of the General Directorate of Technical Education</i>	17	11	-6	-34%
<i>Contributions in the salaries of the Lebanese University</i>	79	76	-3	-4%
<i>Contributions to non profitable organizations (private schools)</i>	16	17	1	5%
<i>Construction under execution (construction and restoration of schools)</i>	12	7	-5	-41%
Education allowance in private sector	81	77	-4	-5%
<b>Sub-Total</b>	<b>493</b>	<b>461</b>	<b>-32</b>	<b>-6%</b>
<b>Other Social Spending</b>				
Marriage allowance	3	1	-2	-73%
Birth allowance	2	1	-1	-63%
Death allowance	2	1	-1	-33%
Other social spending allowance	5	5	0	-1%
Participation in several pension funds	12	6	-7	-54%
Ministry of Social Affairs, of which	30	23	-7	-23%
<i>Transfers to non profitable organizations</i>	28	22	-6	-23%
Ministry of Displaced	3	2	0	-6%
Transfers to employees' cooperative	47	70	23	100%
End of service & Pensions	446	451	5	1%
NSSF	100	230	130	130%
<b>Sub-Total</b>	<b>649</b>	<b>790</b>	<b>140</b>	<b>22%</b>
<b>Grand-Total</b>	<b>1,364</b>	<b>1,461</b>	<b>97</b>	<b>7%</b>

## Section IV: Public Debt Developments

**Table 9. Public Debt Outstanding by Holder as of End-June 2007**

Assumes full LBP Replacement	Dec-04	Dec-05	Dec-06	Jun-07	Change Dec 06 - June 07	% change Dec 06-June 07
<b>Gross Public debt</b>	<b>54,082</b>	<b>57,987</b>	<b>60,838</b>	<b>59,937</b>	<b>-901</b>	-1.48%
<b>Local currency debt</b>	<b>26,371</b>	<b>29,141</b>	<b>30,204</b>	<b>29,472</b>	<b>-732</b>	-2.42%
a. Central Bank (including REPOs and Loans to EDL to finance fuel purchases)*	10,652	11,686	9,588	8,257	<b>-1,331</b>	-13.88%
b. Commercial Banks	12,220	14,130	16,487	15,813	<b>-674</b>	-4.09%
c. Other Local Currency Debt (T-bills)	3,500	3,325	4,129	5,402	<b>1,273</b>	30.83%
<i>o/w Public entities</i>	<i>2,187</i>	<i>2,446</i>	<i>3,313</i>	<i>4,608</i>	<b>1,295</b>	39.09%
<b>Foreign currency debt</b>	<b>27,711</b>	<b>28,846</b>	<b>30,634</b>	<b>30,465</b>	<b>-169</b>	-0.55%
a. Bilateral, Multilateral and Foreign Private sector loans	3,003	2,791	2,842	2,860	<b>18</b>	0.63%
b. Paris II related debt (Eurobonds and Loans)	3,815	3,682	3,721	3,682	<b>-39</b>	-1.05%
c. BDL Eurobond (Paris II)	2,819	2,819	2,819	2,819	<b>0</b>	0.00%
d. Market Eurobonds	17,686	18,729	20,399	20,274	<b>-125</b>	-0.61%
e. Accrued Interest on foreign currency debt	388	406	434	411	<b>-23</b>	-5.30%
f. Special Tbls in Foreign currency**		419	419	419	<b>0</b>	0.00%
<b>Public sector deposits</b>	<b>4,359</b>	<b>5,590</b>	<b>4,444</b>	<b>3,502</b>	<b>-942</b>	-21.20%
<b>Net debt</b>	<b>49,723</b>	<b>52,397</b>	<b>56,394</b>	<b>56,435</b>	<b>41</b>	0.07%
<b>Gross Market debt***</b>	<b>31,861</b>	<b>34,726</b>	<b>38,662</b>	<b>37,803</b>	<b>-859</b>	-2.22%
<b>% of total debt</b>	<b>59%</b>	<b>60%</b>	<b>64%</b>	<b>63%</b>		

Source: Ministry of Finance, Banque du Liban

Notes:

\* The BDL has extended loans to EDL for the equivalent amount of US\$ 300 million to purchase fuel oil. These loans are listed as Public debt as they are government guaranteed

\*\* Special Tbls in Foreign currency (expropriation bonds)

\*\*\* Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, and Paris II related debt.

**Gross Public debt** as of end-June 2007 amounted to LL 59,937 billion (US\$ 39.75 billion) registering a LL 901 billion, or 1.48 percent, decrease over the end-December 2006 debt level. In comparison, gross public debt registered a 0.87 percent rate of growth in the first half of 2006, increasing by LL 503 billion over the end-December 2005 level.

**Net public debt** as of end-June 2007 amounted to LL 56,435 billion (US\$ 37.44 billion) registering an increase of LL 41 billion or 0.07 percent over the end-December 2006 level.

The **domestic debt** component of public debt amounted to LL 29,472 billion as of end-June 2007, decreasing by LL 732 billion or 2.42 percent over the end-December 2006 level.

The decrease was primarily due to the early redemption of LL 2,380 billion in T-bills (LL 2,343 billion in principal and LL 38 billion in accrued interest) using proceeds resulting from the re-evaluation of the BDL's gold reserves. The early redemption transaction took place on

June 18, 2007.<sup>8</sup> Nevertheless, due to the prevailing political environment, BDL's portfolio of local currency debt increased by LL 916 billion in the first quarter of 2007. In the 2<sup>nd</sup> quarter of 2007, there was an improvement of market subscriptions and hence a reduced pace of increase in BDL's T-bills holding. In April and May, BDL's stock of T-bills increased by LL 13 billion and LL 172 billion, respectively. In June, as a result of the gold re-evaluation redemption transaction, BDL's portfolio of local currency debt decreased by LL 2,421 billion.

Local currency debt held by commercial banks decreased by LL 674 billion as compared to end-December 2006 due to the political environment which has led to a lower level of commercial banks' subscriptions in the T-bills auctions during the first half of 2007. The downward trend saw the commercial banks' portfolio of local currency fall in the first quarter by LL 650 billion. In April, their holding fell by a further LL 61 billion. However, this trend reversed as their holdings increased slightly in May by LL 16 billion and in June by LL 26 billion. Overall, in the 2<sup>nd</sup> quarter of 2007, commercial banks reduced their holdings of T-bills by LL 19 billion.

**Foreign currency debt** at end-June 2007 amounted to LL 30,465 billion (US\$ 20.21 billion) slightly decreasing by LL 169 billion (or 0.55 percent) over the end-December 2006 level.

**Table 10. Recent Government Eurobond Issuance**

Issue Date	Term (years)	Maturity Date	Coupon Rate	Amount issued
May 31, 2007	6	June 2013	8.625%	USD 400 MN
February 26, 2007	14	April 2021	8.250%	USD 431 MN*
February 26, 2007	1	March 2008	6.375%	USD 569 MN*

\* Direct placement with BDL

Source: MOF

<sup>8</sup>This transaction was done pursuant to Articles 115 and 116 of the Code of Money and Credit.

**Table 11. Public Debt Outstanding by Instrument as of End-June 2007**

(in LL Billion)				Change	% Change
	Dec-05	Dec-06	June-07	Year-to-date	Year-to-date
<b>I. Total debt ( II + III )</b>	57,985	60,883	59,937	-901	-1.48%
<b>II. Local currency debt</b>	29,141	30,204	29,472	-732	-2.42%
<b>1. Long term bonds</b>	23,384	26,862	25,407	-1,455	-5.42%
1.1 60 months bonds	1,772	2,172	2,166	-6	-0.28%
1.2 54 months bonds	616	616	616	0	0.00%
1.3 48months bonds	633	633	633	0	0.00%
1.4 36 months bonds	14,520	21,093	19,070	-2,023	-9.59%
1.5 30 months bonds	3,033	0	0	0	
1.6 24 months bonds	2,385	1,751	2,324	573	32.72%
* <i>Accrued interest included in debt</i>	425	597	598	1	0.17%
<b>2. Short term bills</b>	5,246	2,839	3,575	736	25.92%
2.1 12 months bills	3,023	1,579	894	-685	-43.38%
2.2 06 months bills	2,067	1,117	2,606	1,489	133.30%
2.3 03 months bills	156	143	75	-68	-47.55%
* <i>Accrued interest included</i>	92	88	81	-7	-7.95%
<b>3. Other local debt</b>	511	503	490	-13	-2.58%
3.1 Central Bank Loans	453	445	437	-8	-1.80%
3.2 Commercial Banks Loans	58	58	53	-5	-8.62%
<b>III. Foreign currency debt</b>	28,844	30,679	30,465	-169	-0.55%
<b>4. Bilateral, Multilateral and Foreign Private sector loans</b>	2,791	2,842	2,860	18	0.63%
<b>5. Eurobonds</b>	24,743	26,441	26,293	-148	-0.56%
5.1 Paris II at preferential rates	2,789	2,789	2,789	0	0.00%
5.2 Banks required investment	0	0	0	0	
<b>6. Other foreign debt</b>	4,101	4,238	4,172	-21	-0.50%
6.1 Paris II loans	893	932	893	-39	-4.18%
6.2 Special Tbs in foreign currency	419	419	419	0	0.00%

Source: MOF, Banque du Liban

Table 10 above demonstrates the **evolution of public debt by instrument**, albeit it includes the effect of the cancellation of LL 2,343 billion of 36 month and 60 month T-bills from the proceeds arising from the gold revaluation transaction. Excluding the impact of the gold revaluation transaction, on the domestic debt front, the demand for both long-term and short-term bills increased. Commercial banks over-subscribed in the 36-month Treasury Bills and substituted their shorter term Treasury Bills by this category. In the 2<sup>nd</sup> quarter of 2007, long term maturities (i.e. 24-month, and 36-month maturities) constituted 79% of commercial bank's subscriptions, versus 21% for short term maturities (3-month, 6-month, and 12-month maturities). A similar trend is seen with public institutions who subscribed mostly to 6-month and 24-month T-bills.

On the foreign currency debt front, a decrease of LL 169 billion was mainly due to the redemption of the maturing USD 100 million Eurobond guaranteed by the World Bank. The redemption was financed by a new Eurobond issuance in the month of July. A further cause of the decrease was the payment of the Euro 30 million principal installment of the AFD Paris

II loan. The overall foreign currency loan portfolio was also impacted by the change in the valuation of the debt stock denominated in Euros, as the impact of the change in exchange rates increased the value of the debt stock by LL 64 billion, excluding the effects of payment of principal.

**Primary market interest rates** range between 5.22 percent for the 3-month T-bills to 9.34 percent for the 36-month treasury bills. As compared to December 2006, all primary market interest rates were stable.

**Table 12. Evolution of Primary Market Treasury Bills Yields**

Maturity	Dec. 31, 2005	Dec. 31, 2006	June 31, 2006
3-month	5.22 percent	5.22 percent	5.22 percent
6-month	7.24 percent	6.31 percent	7.24 percent
12-month	7.75 percent	6.69 percent	7.75 percent
24-month	8.50 percent	7.74 percent	8.50 percent
36-month	9.34 percent	8.68 percent	9.32 percent

Source: Ministry of Finance

**Eurobond secondary market yields** fell by an average of 57 basis points over the 2<sup>nd</sup> quarter.

**Table 13. Eurobond Price Performance**

	<i>Bid-Yield</i> <b>4-Apr-07</b>	<i>Bid-Yield</i> <b>2-May-07</b>	<i>Bid-Yield</i> <b>15-May-07</b>	<i>Bid-Yield</i> <b>6-Jun-07</b>	<i>Bid-Yield</i> <b>27-Jun-07</b>
<b>Lebanese Issues</b>					
<u>Euro</u>					
LEB 7.250 09	6.91	6.97	6.97	7.10	7.09
LEB 5.875 12	7.16	7.30	7.31	7.39	7.47
<u>US Dollars</u>					
LEB 8.625 07	7.96	8.01	8.02	8.02	8.04
LEB 7.375 08	8.31	8.68	8.73	8.80	9.16
LEB 10.125 08	8.28	8.65	8.60	8.71	8.88
LEB 10.250 09	8.27	8.66	8.64	8.66	8.99
LEB FRN 09	8.27	8.71	8.66	8.80	8.95
LEB 7.000 09	8.29	8.75	8.66	8.75	9.03
LEB 7.125 10	8.30	8.75	8.66	8.69	8.94
LEB 7.875 11	8.42	8.77	8.74	8.75	8.96
LEB 4.000 17 Av Life	8.68	8.95	8.98	9.10	9.15
LEB 7.750 12	8.45	8.79	8.77	8.71	8.97
LEB 8.625 13	8.46	8.78	8.78	8.87	9.07
LEB 7.375 14	8.48	8.79	8.82	8.86	9.08
LIEB 10.000 15	8.50	8.82	8.84	8.88	9.02
LEB 8.500 16	8.52	8.92	8.96	9.05	9.23
LEB 11.625 16	8.71	9.07	9.06	9.09	9.23
LEB 8.250 21	8.65	8.95	9.01	9.18	9.36

Source: Credit Suisse

## Section V: Evolution of External Trade

**Table 14. External Trade**

<i>(in US\$ million)</i>	2006	2007	Change	%
	Jan-Jun	Jan-Jun		Change
Exports	1,303	1,312	9	0.7%
Imports, of which:	5,056	5,468	412	8.1%
<i>Mineral Products</i>	1,218	1,170	-48	-4.0%
<b>Trade Balance</b>	<b>-3,754</b>	<b>-4,156</b>	<b>-402</b>	<b>10.7%</b>

Source: Ministry of Finance (MOF), Directorate General of Customs (DGC)

The **trade deficit** for the first half of 2007 increased by 10.7 percent (or US\$ 402 million) recording a total of US\$ 4,156 million versus a deficit of US\$ 3,754 million for the first half of 2006. The increased trade deficit over this period is due to the US\$ 412 million increase in imports compared to the US\$ 9 million in exports. The biggest increase in imports between January to June 2006 and January to June 2007 was due to **prepared foodstuffs, beverages and tobacco**, while the largest rise in exports for the same period was due to **base metals and articles of base metals**.

From a volume perspective, the trade deficit narrowed by 9.3 percent with the trade balance imported a net weight of 4,160 thousand tons in the first half 2007 compared to 4,586 thousand tons in the first half of 2006 reflecting a decrease in the total volume of imports and a spike in the volume of exports.

**Total imports** registered US\$ 5,468 million by the end of June 2007, 8.1 percent higher than imports for the same period of 2006 at US\$ 5,056 million. The increase in imports mainly reflected a US\$ 113 million increase in **prepared foodstuffs, beverages and tobacco**. From a trading partner perspective, higher imports reflected a US\$ 159 million increase in imports from **Italy**.

In volume terms, imports contracted by 5.4 percent from a net weight of 6,085 thousand tons in the first half of 2006 to 5,759 thousand tons in the first half of 2007.

**Total exports** for the first half of 2007 registered a modest increase of 0.7 percent totaling US\$ 1,312 million by end-June 2007 compared to the value of goods exported by end-June 2006 at US\$ 1,303 million. From a product perspective, the increase in exports mainly reflected a US\$ 99 million increase in the value of exports of **base metals and articles of base metals**. From a trading partner perspective, exports to **Egypt** led the rise in exports with 193 percent higher exports in the first six months of 2007 than those in the same period in 2006.

From a volume perspective, exported goods exhibited stronger growth at 6.7 percent from a net weight of 1,498 thousand tons exported in the period January to June 2006, to 1,599 thousand tons exported in the same period of 2007.

**Table 15. Import Distribution by Product**

<i>(in US\$ million)</i>		2006		2007		%	
Rank	Product Section	Jan - Jun	% Share	Jan - Jun	% Share	Change	Change
1	Mineral products	1,218	24%	1,170	21%	-48	-4%
2	Machinery and electrical instruments	612	12%	653	12%	40	7%
3	Products of the chemical or allied industries	491	10%	556	10%	65	13%
4	Base metals and articles of base metal	384	8%	456	8%	72	19%
5	Vehicles, aircraft, vessels, transport equipment	453	9%	428	8%	-25	-6%
6	Prepared foodstuffs, beverages, and tobacco	278	6%	391	7%	113	40%
	Other	1,619	32%	1,814	33%	195	12%
	<b>Total</b>	<b>5,056</b>	<b>100%</b>	<b>5,468</b>	<b>100%</b>	<b>412</b>	<b>8%</b>

Source: MOF, DGC

- Import Distribution by Product:**

The four percent decrease in imports of **mineral products** was mainly due to a US\$ 47 million decrease in imports of **mineral fuels and oils** from US\$ 1,182 million for the first half of 2006 to US\$ 1,135 million for the first half of 2007, the biggest negative value change in the top ten products.

The seven percent increase in **machinery and electrical instruments** between the first six months of 2006 and the first six months of 2007 was led by a 14 percent increase in imports of **electrical machinery and equipment and parts thereof** from US\$ 233 million to US\$ 266 million, and an 8% increase in the imports of **reactors, boilers, machinery and mechanical appliances** from US\$ 379 million to US\$ 387 million over the same time period.

Imports of **products of the chemical or allied industries** increased by 13 percent from the first half of 2006 to the first half of 2007, led by a US\$ 26 million increase in imports of **pharmaceutical products** to US\$ 305 million.

The 19 percent increase in **base metals and articles of base metal** is mainly attributed to a 24 percent increase in imports of **iron and steel** from US\$ 202 million in the first half of 2006 to US\$ 250 million in the first half of 2007.

At US\$ 453 million in the period January to June 2006, imports of **vehicles, aircraft, vessels, and transport equipment** decreased by 6 percent to US\$ 428 million in the same period in 2007. This decrease is mainly due to 9 percent lower value of imports of **vehicles** other than railway from US\$ 434 million in the first half of 2006 to US\$ 397 million in the first half of 2007.

The US\$ 113 million hike in imports of **prepared foodstuffs, beverages and tobacco** is largely due to a US\$ 66 million increase in the value of imports of **beverages, spirits and vinegar** from US\$ 20 million in the period January to June 2006 to US\$ 86 million in the corresponding 2007 period.

**Table 16. Export Distribution by Product**

<i>(in US\$ million)</i>		2006		2007		%	
Rank	Product Section	Jan - Jun	% Share	Jan - Jun	% Share	Change	Change
1	Base metals and articles of base metal	162	12%	261	20%	99	61%
2	Machinery and electrical instruments	173	13%	217	17%	44	25%
3	Pearls, precious stones and metals	411	32%	186	14%	-226	-55%
4	Prepared foodstuffs, beverages and tobacco	106	8%	122	9%	16	15%
5	Products of the chemical or allied industries	85	6%	101	8%	16	19%
6	Pulp of wood; paper and paperboard	64	5%	79	6%	15	23%
	Other	302	23%	347	26%	45	15%
	<b>Total</b>	<b>1,303</b>	<b>100%</b>	<b>1,312</b>	<b>100%</b>	<b>10</b>	<b>1%</b>

Source: MOF, DGC

- Export Distribution by Product:**

Exports of **base metals and articles of base metals** increased by 61 percent and reached US\$ 261 million in the first two quarters of 2007 compared to US\$ 162 million in the first two quarters of 2006. This was mainly due to a 69 percent increase in **iron and steel** exports from US\$ 60 million to US\$ 102 million, and to a 138 percent increase in **copper and articles thereof** from US\$ 24 million to US\$ 57 million.

Up by 25 percent compared to the January to June period in 2006, exports of **machinery and electrical instruments** reached US\$ 217 million in the period January to June 2007. This was due to an increase in exports of **electrical machinery and equipment** by 16 percent to US\$ 118 million over this period, and to an increase in exports of **reactors, boilers, machinery and mechanical appliances** which reached US\$ 99 million in the first half of 2007, 39 percent higher than that recorded in the first half of 2006.

Exports of **pearls, precious stones and metals** reflected the largest value decrease in exports comparing the first half of 2007 to that of 2006. Down by 55 percent, or US\$ 226 million, exported natural or cultured pearls and precious metals declined to US\$ 186 million in the first six months of 2007.

**Prepared foodstuffs, beverages and tobacco** exports increased by 15 percent to US\$ 122 million for the period January to June 2007 from US\$ 106 million in the same period of 2006. This was mainly led by exports of **preparations of vegetables, fruit and nut** which increased by US\$ 4.8 million to US\$ 34.5 million for the first half of 2007.

Exports of **products of the chemical or allied industries** increased to US\$ 101 million in the first six months of 2007 compared to US\$ 85 million in the first six months of 2006. This was led by a 95.6 percent increase in exports of **essential oils and resinoids, perfumery and cosmetics** over the same period to reach US\$ 22.9 million, US\$ 7.4 million of which were exported to Syria, and US\$ 6.7 million of which were exported to the United Arab Emirates.

As for exports of **pulp of wood, paper and paperboard**, these increased by 23 percent to US\$ 79 million in the period January to June 2007 compared to US\$ 64 million in the same

period of 2006. This is mainly due to increased exports of **paper and paperboard** of 22 percent to US\$ 53 million.

**Table 17. Import Distribution by Country**

<i>(in US\$ million)</i>		2006		2007		% Change	
Rank	Country	Jan - Jun	% Share	Jan - Jun	% Share	Change	Change
1	Italy	409	8%	568	10%	159	39%
2	China	391	8%	450	8%	59	15%
3	United States	396	8%	445	8%	49	12%
4	France	409	8%	383	7%	-26	-6%
5	Germany	370	7%	342	6%	-28	-8%
6	Egypt	217	4%	283	5%	66	30%
7	United Kingdom	221	4%	223	4%	2	1%
8	Switzerland	106	2%	176	3%	70	66%
9	Japan	170	3%	170	3%	0	0%
10	Saudi Arabia	183	4%	165	3%	-18	-10%
	Other	2,185	43%	2,262	41%	77	4%
	<b>Total</b>	<b>5,056</b>	<b>100%</b>	<b>5,468</b>	<b>100%</b>	<b>412</b>	<b>8%</b>

Source: MOF, DGC

- Import Distribution by Country:**

Italy topped the list of countries from which Lebanon imports with a two percentage point increased share of total imports to 10 percent in the first half of 2007 compared to the same period of 2006. Imports from **Italy** increased by 39 percent, from US\$ 409 million in the first half of 2006 to US\$ 568 million in the first half of 2007. This was mainly due to a US\$ 135.7 million increase in imports of **mineral fuels and oils** to US\$ 257.1 million.

In total, imports from the **European Union**<sup>9</sup> increased by 6 percent to US\$ 2,188 million in the first half of 2007 compared to US\$ 2,060 in the same period of 2006. This compares to a volume increase of 4 percent from a net weight of 1,570 thousand tons imported in the first half of 2006 to a net weight of 1,631 thousand imported in the first half of 2007.

Imports from **China** valued US\$ 450 million for the first half of 2007, a 15 percent increase from the same period in 2006. The top two imports from China in the period January to June 2007 were **reactors, boilers, machinery and mechanical appliances** at US\$ 77.3 million followed by **electrical machinery and equipment and parts thereof** at US\$ 61.8 million with each category increasing by 9.3 percent and 23.6 percent respectively compared to imports during the first half of 2006. A notable US\$ 11.3 million increase was witnessed for **iron and steel** imported from China in the same period to US\$ 13.8 million.

**United States** exports to Lebanon increased by 12 percent to US\$ 445 million in the first half of 2007 compared to the same period of 2006 mainly due to 51.8 percent (or US\$ 45.2 million) higher imports of **mineral fuels and oils** to US\$ 132.4 million.

<sup>9</sup>The European Union included as of January 1, 2007 the following countries: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom

The first half of 2007 saw imports from **France** and **Germany** decrease by 6 percent and 8 percent respectively compared to the first half of 2006. The US\$ 26 million decline in French imports was mainly caused by a US\$ 23 million decrease in imports of **mineral fuels and oils** to US\$ 132 million. The US\$ 28 million reduction in imports from Germany was led by decreases in **vehicles other than railway** of US\$ 19 million to US\$ 126.5 million, and lower value of imports of **reactors, boilers, machinery and mechanical appliances** of US\$ 16.4 million to US\$ 49.4 million over the same period.

Imports from **Egypt** were notably higher by 30 percent to US\$ 283 million in the first half of 2007 compared to the same period of 2006. These higher imports from Egypt were mainly led by US\$ 115.9 million worth of **iron and steel** (a US\$ 10.1 million increase), US\$ 33.6 million worth of **mineral fuels and oils** (a US\$ 20.8 million increase), and US\$ 32.9 million worth of **edible vegetables and certain roots and tubers** (a US\$ 25.4 million increase).

**Swiss** imports to Lebanon saw the highest value change by US\$ 70 million to US\$ 176 million in the period January to June 2007 as compared to the same period in 2006. This spike in imports was led by **natural or cultured pearls and precious metals** which increased by US\$ 67.7 million to US\$ 115.1 million.

The largest value of imports from the Arab Countries was **Saudi Arabia** with imports worth US\$ 165 million recorded for the period January to June 2007. Imports from Saudi Arabia decreased by 10 percent compared to the period January to June 2006 mainly due to 45 percent lower imports of **mineral fuels and oils** from US\$ 102.5 million for the first half of 2006, to US\$ 56.4 million for the first half of 2007.

**Table18. Export Distribution by Country**

<i>(in US\$ million)</i> RankCountry		2006		2007		Change	% Change
		Jan - Jun	% Share	Jan - Jun	% Share		
1	United Arab Emirates	82	6%	109	8%	27	33%
2	Switzerland	363	28%	105	8%	-258	-71%
3	Syria	81	6%	98	7%	16	20%
4	Saudi Arabia	75	6%	95	7%	20	26%
5	Iraq	85	7%	63	5%	-22	-26%
6	Egypt	21	2%	60	5%	40	193%
7	Kuwait	43	3%	55	4%	12	29%
8	Turkey	62	5%	54	4%	-9	-14%
9	Jordan	37	3%	47	4%	10	28%
10	Belgium	23	2%	42	3%	19	84%
	Other	430	33%	583	44%	154	36%
	<b>Total</b>	<b>1,303</b>	<b>100%</b>	<b>1,312</b>	<b>100%</b>	<b>9</b>	<b>1%</b>

Source: MOF, DGC

- **Export Distribution by Country:**

**Switzerland's** position as the top recipient of Lebanon's exports was overtaken by the **United Arab Emirates** which increased by 33 percent compared to the same period of 2006. Exports to the UAE valued US\$ 109 million and were led by **natural or cultured pearls and precious stones** at US\$ 48 million which increased by 85 percent from the same period in 2006.

**Switzerland**'s share of Lebanon's exports decreased notably from a 28 percent share for the period January to June 2006 to that of 8 percent for the same period of 2007 as reflected in the 71 percent decrease in the value of exports to US\$ 105 million. This is mainly due to a US\$ 259 million or 71 percent decrease in the value of the category **natural or cultured pearls and precious stones** exported to Switzerland for the first half of 2007 compared to the first half of 2006.

Exports to **Syria** increased by 20 percent to US\$ 98 million in the first half of 2007 compared to the same period of 2006. Products in the category **salt, sulfur, stone and plastering materials** were the top export to Syria at US\$ 24.3 million, having increased by 28 percent over this same period.

**Saudi Arabia** received 26 percent higher exports from Lebanon at US\$ 95 million in the first half of 2007 compared to the same period of 2006. Exports of **reactors, boilers, machinery and mechanical appliances** were the top export to Saudi Arabia increasing by 54.9 percent to US\$ 16.4 million during this period. Exports of **natural or cultured pearls and precious stones** witnessed a 97.4 percent value increase to US\$ 4.6 million in the first half of 2007.

Exports to **Iraq** decreased by 26 percent to US\$ 63 million in the first half of 2007 from US\$ 85 million for the same period of 2006. Although the top export to Iraq, **reactors, boilers, machinery and mechanical appliances**, increased by 133 percent to US\$ 15.2 million over this period, the category that most contributed to the recede in exports was **electrical machinery and equipment and parts thereof** which decreased by US\$ 17.3 million or 58.8 percent to US\$ 12.1 million.

Exports to **Egypt** have increased by 193 percent to US\$ 60 million in the period January to June 2007 assuming a 5 percent share of exports versus a 2 percent share of exports in the first half of 2006. The surge in exports to Egypt was led by a US\$ 35.9 million increase in exports of **iron and steel** which were negligibly exported in the first half of 2006.

The percentage increase in value terms to **Belgium** has also been notable with exports amounting to US\$ 42 million in the first half of 2007, an 84 percent increase compared to the same period in 2006. This has been mainly led by a 77 percent (or US\$ 4.4 million) increase in **tobacco and manufactured tobacco substitutes** to US\$ 10.1 million, and a 54.7 percent (or US\$ 3.7 million) increase in exports of **natural or cultured pearls and precious metals** to US\$ 10.4 million.



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