

## Public debt rises to \$83.7 billion

The Daily Star 23-10-2018

BEIRUT: Lebanon's gross public debt in the first eight months of this year soared by 5.2 percent to reach \$83.7 billion compared to \$77.3 billion debt in the same period of last year.

"In nominal terms, the gross public debt grew by \$4.2 billion in the first eight months of 2018 relative to an increase of \$2.4 billion in the same period of 2017. Debt denominated in Lebanese pounds totaled \$48.3 billion at end-August 2018, down by 1.6 percent from the end of 2017 and up by 1.8 percent from end-August 2017," Byblos Bank's Lebanon This Week said.

It added that debt denominated in foreign currency stood at \$35.4 billion, constituting a growth of 16.3 percent from end-2017 and an increase of 18.6 percent from end-August 2017.

The public debt is one of the biggest challenges that faced all successive governments as they struggled unsuccessfully to reduce spending and increasing revenues.

The government is forced to borrow heavily from local and international markets to finance the cost of debt servicing and meet the rising needs of the state.

The International Monetary Fund, World Bank and other international financial institutions repeatedly warned that Lebanon's public debt is no longer sustainable.

"In May 2018, the Finance Ministry issued \$5.5 billion in Lebanese Eurobonds and exchanged them with LL8,250 billion worth of Lebanese pound-denominated Treasury bills from Banque du Liban's portfolio in order to reduce the cost of debt servicing, which explains the growth in foreign-currency debt.

Local currency debt accounted for 57.7 percent of the gross public debt at the end of August 2018 compared to 61.4 percent a year earlier, while foreign currency-denominated debt represented the balance of 42.3 percent relative to 38.6 percent at end-August 2017," Lebanon This Week said.

The report added that the weighted interest rate on outstanding Treasury bills was 6.28 percent and that on Eurobonds was 6.73 percent in August 2018 while the weighted life on Eurobonds was 2,840 days, while it was 1,472 days on Treasury bills.

Lebanese Commercial banks held 40.3 percent of the public debt at the end of August 2018 relative to 43.4 percent of the total at end-August 2017 while BDL held 48.4 percent of the Lebanese pound-denominated public debt at the end of August 2018 relative to 47.7 percent a year earlier.

"The commercial banks held 36.4 percent of the local debt compared to 37 percent at end-August 2017. Also, public agencies, financial institutions and the public held 15.2 percent of the local debt at end-August 2018 relative to 15.3 percent a year earlier," the report said. "The holders of Eurobonds and special T-bills in foreign currencies accounted for 93.9 percent of foreign currency-denominated debt holders at the end of August 2018, followed by multilateral institutions with 3.8 percent and foreign governments with 2.3 percent."