Lebanon's Public Finances Strengthen in H1 2026 Despite Tax Revenues Rising by Less than Spending

November 3, 2026

Contact Information

Jana Boumatar

jana.boumatar@blom.com.lb

The report titled "Public Finance Review – First Half 2026", based on data from Lebanon's Ministry of Finance's Cash Management Unit and Customs Directorate, examines the country's fiscal performance during the first six months of 2026. Despite the challenging economic and political environment following the escalation of the war in late February, Lebanon recorded an improvement in its fiscal position, supported by higher government revenues and contained expenditure growth. However, the report highlights a significant slowdown in tax collections during the second quarter, growing reliance on non-tax revenues, and increasing spending pressures. The assessment is based on actual cash receipts and payments rather than finalized government accounts, meaning the figures remain subject to reconciliation and adjustment.

Lebanon's total government revenues and grants increased by 24.8% year-on-year to LL 304,335 billion during the first half of 2026, compared to LL 243,802 billion in the corresponding period of 2025. Meanwhile, expenditures rose by 27.7% to LL 195,636 billion. Although expenditures grew at a slightly faster percentage rate, the absolute increase in revenues of LL 60,532 billion exceeded the LL 42,443 billion rise in expenditures. Consequently, the overall cash surplus has increased by 20% to LL 108,698 billion, while the primary surplus rose by 16.1% to LL 115,213 billion. Nevertheless, this positive performance concealed a considerable slowdown during the second quarter. Revenue growth declined from 47.5% in Q1 to 9.7% in Q2, while tax revenues shifted from a 45.1% increase to a 12.7% contraction. Domestic VAT collections were particularly affected, declining by 45.9% in Q2 after increasing by 126.3% in Q1. The report notes that differences in tax payment deadlines partly contributed to these fluctuations, while successive extensions of corporate income tax

deadlines may have concentrated some collections in June. Despite these developments, non-tax revenues continued to provide support, allowing the overall cash surplus to increase by 6.5% in Q2 to LL 66,660 billion.

(LL billion)	Q2 2025	Q2 2026	% Change 2026/2025	H1 2025	H1 2026	% Change 2026/2025
Revenues and grants	146,398	160,644	9.7%	243,802	304,335	24.8%
Expenditures	83,807	93,984	12.1%	153,193	195,636	27.7%
Primary Deficit/Surplus	67,785	70,768	4.4%	99,271	115,213	16.1%
Total Cash Deficit/Surplus	62,591	66,660	6.5%	90,609	108,698	20.0%

Source: MoF – DG Treasury – CMU Cash flow statement

Tax revenues increased by 8.1% year-on-year to LL 147,570 billion during the first half of 2026, accounting for 48.5% of total revenues. This growth was mainly driven by taxes on international trade, which increased by 31.9% to LL 52,202 billion. Excise revenues rose by 69.2%, while customs revenues and customs guarantees increased by 10.5% and 11.3%, respectively. Fuel excise collections surged by 180.6%, primarily reflecting higher gasoline excise duties introduced in February 2026 rather than stronger consumption, as gasoline import volumes declined by 28.1%. Vehicle excise revenues have also increased by 21.2%, supported by a 28.5% rise in the value of vehicle imports. Higher customs collections were partly attributed to increased import values and stronger monitoring following the introduction of scanner equipment. However, excise revenue growth slowed considerably during the second quarter, from 194.2% in Q1 to 30.4% in Q2. Excluding fuel and beverages, excise collections declined by 16.6% in Q2, highlighting weaknesses in the broader revenue base.

In contrast, domestic consumption-related taxes weakened. VAT remained the largest individual source of government revenue, accounting for 26.6% of total receipts, but collections declined by 2.5% to LL 80,856 billion. While VAT on imports increased by 2.5% to LL 52,731 billion, domestic VAT fell by 10.8% to LL 28,125 billion. The report links this decline partly to weaker tourism and consumption following the escalation of the conflict. Passenger arrivals decreased by 37% year-on-year, from approximately 1.6 million to 1 million, while departures fell by 27.4%. The contraction in passenger traffic has likely affected hospitality, retail activity, and domestic spending, reducing VAT collections. Similarly, real estate registration fees have declined by 2% to LL 12,281 billion, reflecting weaker property market activity. Real estate transactions and contracts dropped by 25.5%, amid constrained purchasing power, limited mortgage financing, and disruptions caused by the

conflict. However, the decline in registration fees was partly cushioned by the adoption of the official exchange rate of LL 89,500 per US dollar for fee calculations. Activity was also affected by the suspension of operations at the Nabatieh Land Registry Office.

Non-tax revenues played an increasingly important role in supporting government finances, rising by 30% year-on-year to LL 48,376 billion, equivalent to 15.9% of total revenues. This increase was mainly driven by income from public institutions and government properties, which grew by 34.7%. Revenues from the Lebanese Regie for Tobacco surged by 56.8% to LL 22,763 billion, while transfers from mobile telecommunications companies increased by 16.2% to LL 12,193 billion. Revenues from Beirut International Airport, the Port of Beirut, and Casino du Liban also rose by 33.2%, 23%, and 9%, respectively. In contrast, administrative fees and charges declined by 10.9%, mainly due to lower passenger departure fee collections. Other revenues increased by 53.1% to LL 103,718 billion, representing 34.1% of total revenues, while cashiers' revenues rose by 86.5% to LL 4,462 billion. Grants and donations amounted to LL 209 billion, compared to none in the first half of 2025. However, the substantial contribution of other revenues requires caution, as these receipts have not yet been fully classified under their appropriate tax or non-tax categories. Overall, the growing dependence on non-tax receipts, particularly during Q2, highlights the government's increasing reliance on specific revenue-generating institutions amid weakening traditional tax collections.

Billions LBP	Quarterly YoY			H1 YoY		
	Q2 2025	Q2 2026	% Change	H1 2025	H1 2026	% Change
Revenues and Grants	146,398	160,644	9.7%	243,802	304,335	24.8%
Revenues	146,398	160,459	9.6%	243,802	304,126	24.7%
Tax revenues	87,284	76,194	-12.7%	136,469	147,570	8.1%
Tax on property	8,133	6,976	-14.2%	13,927	14,511	4.2%
Real estate registration fees	7,014	5,878	-16.2%	12,538	12,281	-2.0%
Built on property tax	1,119	1,097	-1.9%	1,389	2,230	60.5%
Tax on domestic goods and services	53,882	40,596	-24.7%	82,961	80,856	-2.5%
Domestic VAT	25,081	13,567	-45.9%	31,514	28,125	-10.8%
Import VAT	28,801	27,029	-6.2%	51,447	52,731	2.5%
Tax on international trade	25,269	28,622	13.3%	39,582	52,202	31.9%
Tariff revenues	14,352	14,384	0.2%	25,276	27,993	10.7%
Customs	9,654	9,708	0.6%	17,006	18,791	10.5%
3% fees	4,698	4,676	-0.5%	8,270	9,201	11.3%
Excise revenues	10,917	14,238	30.4%	14,306	24,210	69.2%
Fuel excise	3,727	8,202	120.1%	4,506	12,642	180.6%
Tobacco excise	1,494	1,469	-1.7%	2,467	2,646	7.3%
Car excise	5,566	4,417	-20.6%	7,134	8,645	21.2%
Beverage excise	130	150	15.3%	199	277	38.9%
Non-tax revenues	26,667	29,803	11.8%	37,200	48,376	30.0%
Income from Public Institutions and Government Properties	24,524	28,591	16.6%	33,421	45,011	34.7%
Transfer from Telecom	6,556	6,932	5.7%	10,494	12,193	16.2%
Revenues from Port of Beirut	1,701	1,924	13.1%	2,730	3,356	23.0%
Revenue from Casino du Liban	1,894	1,880	-0.7%	3,562	3,884	9.0%
Revenues from Lebanese Regie for Tobacco	12,910	17,393	34.7%	14,521	22,763	56.8%
Revenues from Beirut International Airport	1,463	462	-68.4%	2,114	2,816	33.2%
Administrative fees and charge	2,143	1,212	-43.4%	3,778	3,365	-10.9%
Passenger departure fees	2,143	1,212	-43.4%	3,778	3,365	-10.9%
Other Revenues	31,014	52,303	68.6%	67,740	103,718	53.1%
Cashiers revenues	1,433	2,159	50.7%	2,393	4,462	86.5%
Grants	0	185	-	0	209	-

Source: MoF

Government expenditures increased by 27.7% year-on-year to LL 195,636 billion during the first half of 2026, with current expenditures accounting for 77.2% of total spending. Current expenditures rose by 17.8% to LL 151,023 billion, mainly due to higher personnel costs, hospitalization spending, administrative expenses, and transfers. Personnel costs remained the largest expenditure component, increasing by 15.5% to LL 119,864 billion and representing 61.3% of total expenditures. This growth was largely driven by retirement benefit payments, which increased by 54.3%, following the implementation of salary and pension adjustments approved in 2025 for military personnel and civilian retirees. Salaries, wages, and social benefits increased by 4.2%, while transfers to public institutions to cover salaries rose by 5.9%. Meanwhile, other current expenditures surged by 141.4% to LL 10,217 billion, reflecting higher administrative and operational costs. Hospitalization expenditures increased by 60.6% to LL 6,311 billion, partly due to inflationary pressures and additional healthcare needs associated with the conflict. Other transfers rose by 6.9% to LL 8,116

billion, while interest payments declined by 24.8% to LL 6,515 billion, reflecting the absence of new domestic debt issuances and repayments of maturing debt.

Despite the overall increase in spending, expenditure growth slowed considerably during the second quarter, from 46.5% in Q1 to 12.1% in Q2. Current expenditure growth moderated from 34% to 6%, while personnel costs declined slightly by 0.9% in Q2 after rising by 40.7% in Q1. This was mainly driven by an 11.5% decline in salaries, wages, and social benefits, although retirement expenditures remained elevated, increasing by 38.6%. Meanwhile, hospitalization spending accelerated sharply, rising by 85.9% in Q2 compared to 13.9% in Q1, while other transfers increased by 95.9%, reversing a decline in the previous quarter. Other current expenditures also remained high, increasing by 119.3%. These developments indicate that although overall expenditure growth moderated, pressures persisted in healthcare, transfers, and other operational spending.

Capital expenditures recorded substantial growth, increasing by 158.8% year-on-year to LL 15,500 billion, representing 7.9% of total expenditures. The increase reflected greater spending on construction projects, equipment, and maintenance under the implementation of the 2026 budget. Construction in progress increased from LL 1,426 billion to LL 7,591 billion, including spending by the Council of the South, the Council for Development and Reconstruction, and the Higher Relief Council. Maintenance expenditures also rose by 67.9% to LL 7,569 billion, particularly reflecting higher road maintenance spending. Capital expenditure growth accelerated to 394% in Q2, compared to 112.9% in Q1. Meanwhile, budget advances increased by 68.3% to LL 9,950 billion, partly covering urgent government requirements related to military and security operations, hospitalization, and maintenance. Treasury expenditures rose by 65.4% to LL 16,938 billion, mainly driven by higher municipal transfers, which increased by 63.3% to LL 8,482 billion, partly reflecting greater distributions of mobile telecommunications revenues. Cashiers' expenditures, however, declined by 23% to LL 2,226 billion. Overall, primary expenditure growth slowed from 50.6% in Q1 to 14.3% in Q2, despite continued pressures from capital investment and essential services.

Billions LBP	Quarterly YoY			H1 YoY		
	Q2 2025	Q2 2026	% Change	H1 2025	H1 2026	% Change
Expenditures	83,807	93,984	12.1%	153,193	195,636	27.7%
Primary Expenditures	78,614	89,876	14.3%	144,532	189,122	30.9%
Current expenditures	74,117	78,601	6.0%	128,159	151,023	17.8%
Personnel cost	62,764	62,218	-0.9%	103,741	119,864	15.5%
Salaries, wages and social benefits	45,559	40,341	-11.5%	72,234	75,284	4.2%
Transfers to Public Institutions to cover salaries	5,320	5,511	3.6%	7,607	8,058	5.9%
Retirements	11,756	16,299	38.6%	23,534	36,309	54.3%
End of service	129	67	-48.3%	366	212	-42.0%
Interest payments	5,194	4,108	-20.9%	8,661	6,515	-24.8%
Other transfers	1,637	3,206	95.9%	7,595	8,116	6.9%
Hospitalization	2,547	4,735	85.9%	3,930	6,311	60.6%
Other current expenditures	1,975	4,333	119.3%	4,232	10,217	141.4%
Capital expenditures	977	4,827	394.0%	5,990	15,500	158.7%
Budget advances	2,141	3,342	56.1%	5,912	9,950	68.3%
Treasury expenditures	5,077	5,986	17.9%	10,241	16,938	65.4%
Municipalities	2,351	1,959	-16.7%	5,195	8,482	63.3%
Cashiers spending	1,495	1,228	-17.8%	2,891	2,226	-23.0%
Primary Balance	67,785	70,768	4.4%	99,271	115,213	16.1%
Overall Balance	62,591	66,660	6.5%	90,609	108,698	20.0%

Source: MoF

Social expenditures also increased considerably during the first half of 2026, rising by 37.9% year-on-year to LL 86,843 billion, compared to LL 62,982 billion a year earlier. Public sector social protection has increased by 15.3% to LL 55,146 billion, mainly due to higher retirement pensions and end-of-service indemnities, which together rose by 52.8% to LL 36,524 billion. Social allowances for military and security personnel has increased by 3.8% to LL 14,230 billion, supported by higher hospitalization spending and other benefits, although education, maternity, and sickness allowances declined. Contributions to mutual funds also fell by 57% to LL 4,393 billion, largely due to the absence of transfers to the Civil Servants' Cooperative, which had received LL 7,200 billion during the first half of 2025. These declines were partly offset by increased contributions to the Lebanese University Mutual Fund, the Judges' Mutual Fund, and other mutual funds.

Meanwhile, private sector social protection expenditures more than doubled, increasing by 109.2% to LL 31,696 billion. Healthcare spending was a major contributor, rising by 127.5% to LL 16,740 billion. Purchases of medicines surged by 182.7% to LL 7,863 billion, private-sector hospitalization expenditures increased by 57.4% to LL 6,746 billion, and transfers to public hospitals rose by 288.4% to LL 1,138 billion. Foreign-financed health programs also recorded LL 994 billion in expenditures, compared to none during the same period in 2025. Education expenditures increased

by 55.3% to LL 4,302 billion, supported by higher funding for the Lebanese University and public schools, although foreign-financed education programs recorded no spending, compared to LL 854 billion a year earlier. Spending under the Ministry of Social Affairs rose sharply from LL 160 billion to LL 1,653 billion, reflecting increased locally financed social programs and contributions to non-profit organizations. The AMAN Project also recorded LL 1,229 billion in locally financed expenditures, compared to no spending during the first half of 2025, when foreign-financed installments were paid later in the year.

Emergency relief and assistance expenditures increased by 114.9% to LL 7,773 billion, mainly driven by higher spending through the Council of the South and the Higher Relief Council, which rose by 198.4% and 156.6%, respectively. These increases reflected greater spending on emergency assistance during a period of heightened conflict-related pressures. However, transfers to the National Social Security Fund were absent, compared to LL 1,203 billion in the corresponding period of 2025, while wheat and bread subsidies were also absent. Overall, the composition of social spending shifted, with public sector social protection accounting for 63.5% of the total, down from 75.9% in 2025, while the share of private sector social protection increased from 24.1% to 36.5%. Retirement pensions and end-of-service indemnities remained the largest component at 42.1% of total social expenditures, followed by healthcare at 19.3% and military and security personnel allowances at 16.4%. The increased share of healthcare spending, up from 11.7% a year earlier, highlights the growing burden of medical needs on public finances.

Overall, the Public Finance Review – First Half 2026 presents a mixed assessment of Lebanon's fiscal performance. Although government finances improved, supported by higher revenues, resilient non-tax receipts, and lower interest payments, the sharp slowdown in tax collections during the second quarter reveals underlying economic weaknesses. Declining domestic VAT revenues, subdued real estate activity, and reduced passenger traffic reflect the impact of the conflict on domestic economic activity, while higher healthcare, retirement, emergency relief, and capital expenditures continue to place pressure on government finances. While the substantial cash surplus indicates an improvement in the government's short-term liquidity position, its sustainability remains uncertain given the reliance on particular revenue sources, the timing of tax collections, and the significant amounts awaiting final classification. The report ultimately highlights the need to distinguish between stronger headline fiscal figures and the underlying economic conditions shaping Lebanon's public finances.

For your Queries:

BLOM BANK s.a.l.

Research Department

Zaituna Bay

POBOX 11-1540 Riad El Soloh

Beirut 1107 2080 Lebanon

Jana Boumatar

jana.boumatar@blom.com.lb

Research Department

Tel: +961 1 991 784

research@blom.com.lb

Disclaimer

This report is published for information purposes only. The information herein has been compiled from, or based upon sources we believe to be reliable, but we do not guarantee or accept responsibility for its completeness or accuracy. This document should not be construed as a solicitation to take part in any investment, or as constituting any representation or warranty on our part. The consequences of any action taken on the basis of information contained herein are solely the responsibility of the recipient.