INTERNATIONAL MONETARY FUND

IMF Country Report No. 26/221

# REPUBLIC OF LITHUANIA

## 2026 ARTICLE IV CONSULTATION—PRESS RELEASE; AND STAFF REPORT

August 2026

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2026 Article IV consultation with Republic of Lithuania, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on lapse-of-time basis, following discussions that ended on May 26, with the officials of Lithuania on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on July 9.
- An **Informational Annex** prepared by the IMF staff.

The documents listed below have been or will be separately released.

Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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**Washington, D.C.**

PRESS RELEASE

PR26/264

# IMF Executive Board Concludes 2026 Article IV Consultation with Republic of Lithuania

FOR IMMEDIATE RELEASE

- Growth has remained robust despite global headwinds, supported by expansionary policies and strong credit growth. Maintaining momentum will require a shift toward durable sources of growth anchored by a predictable policy course. Rising fiscal pressures, along with population aging, weak productivity growth, and skills mismatches call for domestic and European reforms to lift productivity and secure debt sustainability.

- Fiscal policy requires a medium-term strategy anchored in effective revenue mobilization and improved spending efficiency to safeguard debt sustainability and fiscal buffers. The recent weakening of Pillar II pension calls for a comprehensive reassessment of the multi-pillar pension system while ensuring its near-term stability, including by maintaining Pillar I reserves and preserving state contributions to Pillar II.

- Financial sector policies should continue to safeguard financial stability and integrity. Structural reforms should focus on addressing skills mismatches, deepening capital markets, strengthening innovation and digital adoption, and bolstering energy security. Deeper integration into the European Union single market for products, capital, and labor will accelerate growth.

**Washington, DC – July 29, 2026:** The Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation[1] for the Republic of Lithuania and endorsed the staff appraisal without a meeting on a lapse-of-time basis.[2] The authorities have consented to the publication of the Staff Report prepared for this consultation[3].

Growth remained steady at 2.9 percent in 2025, driven by domestic demand and inventory accumulation. Investment strengthened and consumption remained resilient supported by robust income growth, fiscal easing, and favorable financial conditions, despite high uncertainty. Inflation remained elevated at 3.4 percent in 2025, reflecting domestic pressures, and rose to 5.1 percent in May 2026, mainly on higher energy prices. The labor market stayed tight with persistent labor shortages and strong wage growth, despite the elevated structural unemployment mainly due to skills mismatches.

Fiscal policy was expansionary in 2025—despite a smaller-than-budgeted deficit at 1.8 percent of GDP—reflecting stronger-than-expected revenues and some underutilization of spending. Public debt rose to 39.5 percent of GDP. The national fiscal rule was amended to align with European Union fiscal rule, resulting in a slight easing by shifting the target from a

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

[3] Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the www.imf.org/countries/ltu page.

balanced structural balance to net expenditure growth, while aiming for a structural deficit below 1 percent when not in excess deficit procedure.

Growth is projected at 2.8 percent in 2026, with expansionary policies supporting activity despite the drag from higher energy prices. Strong domestic demand—driven by Pillar II pension withdrawals, wage growth, fiscal support, and EU-funded investment—will underpin activity. Elevated energy prices, reflecting continued reliance on imported energy, will temporarily raise inflation to 5.2 percent in 2026 before gradually moderating. Growth is projected to decelerate to 2.2 percent in 2027 before strengthening in 2028 with the second wave of Pillar II pension withdrawals.

## Executive Board Assessment[4]

In concluding the 2026 Article IV Consultation with Republic of Lithuania, Executive Directors endorsed staff's appraisal as follows:

Lithuania's near-term outlook remains steady as expansionary policies offset the adverse energy price shock while adding to inflation; risks are tilted to the downside. Growth is projected to remain broadly stable at 2.8 percent in 2026, as fiscal expansion, Pillar II withdrawals, EU-funded investment, and strong wage growth sustain demand and cushion the impact of the energy shock. Inflation is expected to rise further on energy and tax effects and robust demand, before easing over the medium term. Risks are tilted toward weaker growth and higher inflation, reflecting geopolitical uncertainty, energy price volatility, and the potential for stronger-than-expected domestic demand. Over the medium term, delayed reforms and rising spending pressures could weigh on fiscal sustainability and convergence.

A medium-term fiscal strategy is needed to offset rising spending pressures with durable revenue measures and targeted expenditure reforms to anchor debt at prudent levels. Without action, government debt is projected to rise rapidly to 60 percent of GDP by 2033. A tighter fiscal stance is warranted already in 2026—saving revenue overperformance and limiting energy support to targeted, temporary measures—to help contain inflation while preserving fiscal buffers and price signals. Given low tax revenues relative to peers and limited room to cut core services, consolidation should rely mainly on permanent revenue measures—through broadening and increasing property taxation, enhancing personal income tax progressivity, reducing inefficient exemptions, and improving VAT compliance—complemented by spending reprioritization and efficiency gains, including containing public wage bill growth, better targeting social benefits, and improving efficiency in health and education. A more predictable policy course would help enhance its effectiveness and credibility. Strengthening the fiscal council's independence and mandate would further support fiscal discipline.

The weakening of Pillar II has increased the need to reinforce pension sustainability and adequacy. Recent changes will lower replacement rates and raise future fiscal costs, making it essential to preserve existing Pillar I buffers and safeguard the overall pension system against mounting demographic pressures. The near-term focus should be on ensuring stability and predictability of Pillar II pensions, including by maintaining state contributions to preserve participation incentives. Ultimately, a comprehensive assessment of the pension framework is needed to reinforce Pillar II and better align it with European best practices.

Increasing financial momentum and rising cyclical risks call for macroprudential policy to stay vigilant and ready to act if vulnerabilities build up further. Credit to firms and households has accelerated, supporting buoyant housing activity and contributing to a moderate but widening house price misalignment, while vulnerabilities persist in commercial real estate. Systemic

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[4] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm

risks remain contained on the back of strong bank fundamentals, but changes to the borrower-based measures planned in August 2026 could add to already strong credit and house price dynamics, particularly amid robust wage growth and additional liquidity from Pillar II withdrawals—warranting readiness to tighten if risks intensify. At the same time, evolving risks—particularly cyber and financial integrity risks linked to fintech and virtual assets—call for continued supervisory vigilance and enhance AML/CFT oversight.

The external position is broadly in line with the level implied by fundamentals and desirable policies. The current account weakened in 2025 but remained in surplus and close to its norm. It is expected to turn modestly negative in the coming years before recovering. Fiscal consolidation to safeguard sustainability, alongside structural reforms to support productivity and attract investment, will help sustain external balance over the medium-term.

To sustain growth momentum, growth should transition away from demand stimulus toward more durable drivers, notably productivity gains and investment. A temporary surge in net migration has supported recent growth while Pillar II withdrawals and fiscal expansion are expected to sustain momentum in the near term. Yet, the capital stock is low, and the unemployment rate remains persistently high with large regional variations, underscoring long-standing structural challenges. Population aging, skills mismatches and shortages, and regional labor-market and productivity disparities continue to weigh on potential growth and the efficient allocation of resources.

Addressing structural labor constraints requires reforms to strengthen skills, improve work incentives, and ease mobility. Priorities include closer alignment of education and training with labor market needs, scaling-up reskilling and active labor market policies, and strengthening vocational training. Social benefits should be better targeted to preserve work incentives. Streamlining entry procedures and integration support for foreign workers, together with easing mobility frictions through better connectivity and an expanded supply of quality, affordable housing, would support employment and productivity.

Raising investment and productivity needs deeper domestic and EU capital markets to ease firms' financing constraints. Priorities include broadening non-bank financing through stronger investor participation and alternative instruments. Baltic capital market harmonization efforts should be complemented by further progress toward the EU single market. ILTE can help fill remaining gaps, but stronger governance and oversight are needed to ensure sound risk management and avoid crowding out private finance.

Strengthening productivity and competitiveness demands faster digital adoption and reduced energy dependence. Wider AI uptake and greater access to R&D support would lift firm performance. Despite progress in renewables, reliance on energy imports remains high; further investment in renewables, storage and grids, complemented by the shift to low-emission transport—including rail-electrification and faster EV uptake—would reduce vulnerabilities and support competitiveness.

## Republic of Lithuania: Selected Economic Indicators, 2023–31

(Year-on-year percentage change, unless otherwise indicated)

| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|---|---|
| **Output** | | | | | | | | Projections | |
| Real GDP | 0.8 | 3.0 | 2.9 | 2.8 | 2.2 | 2.6 | 2.5 | 2.4 | 2.4 |
| Domestic demand | -0.9 | 3.0 | 5.9 | 4.5 | 1.0 | 3.0 | 1.6 | 2.4 | 2.4 |
| Private consumption | -0.1 | 3.3 | 2.0 | 3.9 | -1.2 | 3.1 | 1.2 | 2.0 | 2.0 |
| Domestic fixed investment | 11.3 | -1.5 | 7.9 | 6.7 | 6.1 | 4.5 | 3.6 | 4.6 | 4.4 |
| Inventories (contribution to growth) | -3.4 | 1.2 | 2.3 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net external demand (contribution to growth) | 1.5 | 0.3 | -2.8 | -1.5 | 1.4 | -0.3 | 0.0 | 0.0 | 0.0 |
| Nominal GDP (in billions of euro) | 74.3 | 79.0 | 84.3 | 89.7 | 94.1 | 99.6 | 104.3 | 109.4 | 114.8 |
| Output gap (percent of potential GDP) | -0.4 | 0.1 | 0.4 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | | | | |
| **Employment** | | | | | | | | | |
| Employment | 1.4 | 1.6 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 |
| Unemployment rate (year average, in percent of labor force) | 6.9 | 7.1 | 6.9 | 6.8 | 6.6 | 6.4 | 6.2 | 6.0 | 5.9 |
| Average monthly gross earnings | 12.2 | 10.4 | 8.4 | 8.8 | 6.7 | 5.6 | 5.2 | 5.1 | 5.0 |
| Average monthly gross earnings, real (CPI-deflated) | 3.5 | 9.6 | 4.9 | 3.6 | 3.6 | 2.9 | 2.7 | 2.6 | 2.5 |
| Labor productivity | -0.6 | 1.4 | 3.0 | 2.8 | 2.7 | 2.6 | 2.6 | 2.5 | 2.5 |
| | | | | | | | | | |
| **Prices** | | | | | | | | | |
| HICP, period average | 8.7 | 0.9 | 3.4 | 5.2 | 3.1 | 2.7 | 2.5 | 2.5 | 2.5 |
| HICP core, period average | 10.7 | 2.7 | 3.7 | 3.7 | 3.2 | 2.4 | 2.4 | 2.4 | 2.4 |
| HICP, end of period | 1.6 | 1.9 | 2.5 | 6.3 | 2.3 | 2.9 | 2.5 | 2.5 | 2.5 |
| GDP deflator | 9.9 | 3.2 | 3.6 | 3.6 | 2.7 | 3.2 | 2.2 | 2.3 | 2.5 |
| | | | | | | | | | |
| **General government finances (percent of GDP)** | | | | | | | | | |
| Fiscal balance | -0.7 | -1.3 | -1.8 | -2.3 | -2.8 | -3.4 | -3.8 | -4.0 | -4.3 |
| Fiscal balance excl. one-offs | -0.7 | -1.3 | -1.8 | -2.3 | -2.8 | -3.4 | -3.8 | -4.0 | -4.3 |
| Structural fiscal balance (percent of potential GDP) 1/ | -0.4 | -1.3 | -2.0 | -2.5 | -2.8 | -3.4 | -3.8 | -4.0 | -4.3 |
| Revenue | 36.5 | 38.1 | 39.4 | 40.4 | 40.6 | 40.3 | 40.3 | 40.3 | 40.2 |
| *Of which EU grants* | 0.7 | 0.7 | 0.8 | 0.9 | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 |
| Expenditure | 37.2 | 39.4 | 41.2 | 42.7 | 43.4 | 43.7 | 44.0 | 44.3 | 44.5 |
| *Of which:* Non-interest | 36.6 | 38.6 | 40.3 | 41.5 | 42.1 | 42.2 | 42.5 | 42.6 | 42.8 |
| Interest | 0.6 | 0.8 | 0.9 | 1.2 | 1.3 | 1.5 | 1.5 | 1.7 | 1.7 |
| General government gross debt | 37.1 | 38.0 | 39.5 | 44.9 | 48.9 | 50.9 | 53.9 | 55.7 | 57.4 |
| *Of which:* Foreign currency-denominated | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | | | | |
| **Balance of payments** | | | | | | | | | |
| Current account balance (percent of GDP) | 1.1 | 3.2 | 0.9 | -1.1 | -0.5 | 0.1 | 0.6 | 0.9 | 1.0 |
| Current account balance (billions of euros) | 0.8 | 2.5 | 0.8 | -1.0 | -0.5 | 0.1 | 0.6 | 1.0 | 1.2 |
| | | | | | | | | | |
| **Saving-investment balance (percent of GDP)** | | | | | | | | | |
| Gross national saving | 23.8 | 23.8 | 23.2 | 22.1 | 23.5 | 24.1 | 25.0 | 25.7 | 26.2 |
| Gross national investment | 22.7 | 20.6 | 22.3 | 23.3 | 24.1 | 24.0 | 24.4 | 24.8 | 25.2 |
| Foreign net savings | -1.1 | -3.2 | -0.9 | 1.1 | 0.5 | -0.1 | -0.6 | -0.9 | -1.0 |

Sources: Lithuanian authorities; World Bank; Eurostat; and IMF staff estimates and projections.
Note: Data is presented on ESA2010, and BPM6 manuals basis.
1/ Calculation takes into account standard cyclical adjustments as well as absorption gap.

INTERNATIONAL MONETARY FUND

# REPUBLIC OF LITHUANIA

## STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION

July 9, 2026

## KEY ISSUES

**Context.** Lithuania has sustained strong growth despite persistent global headwinds. Near-term activity will be supported by expansionary policies amid strong credit growth and despite the adverse energy price shock. Looking ahead, maintaining momentum will depend on shifting to durable sources of growth set in a predictable policy course—which carries an added premium amid high external uncertainty. Rising risks to fiscal sustainability, along with population aging, weak productivity growth, and persistent skills mismatches, call for reforms that lift productivity and safeguard fiscal sustainability.

**Outlook.** Growth is projected at 2.8 percent in 2026. Pillar II pension withdrawals are expected to boost private consumption and EU funds support investment, while fiscal expansion is expected to continue. Inflation will temporarily rise to 5.2 percent due to higher energy prices amid high energy import dependence, strong domestic demand and increased excise duties. Risks are titled toward lower growth and higher inflation, reflecting developments in the Middle East and geopolitical tensions. Domestically, larger-than-anticipated pension withdrawals could be an upside risk to growth and inflation.

**Key Policy Recommendations:**

- **Fiscal policy.** The expansionary fiscal stance adds to medium-term pressures. Ensuring long-term debt sustainability calls for a strategy anchored in effective revenue mobilization and improved spending efficiency. Stability of the multi-pillar pension system is also crucial, including preserving Pillar I reserves and state contributions to Pillar II.
- **Financial sector policy.** Macroprudential policies warrants continued vigilance given rapid credit and house price growth. Rapid scaling of ILTE calls for strengthening governance, risk management, and safeguards to ensure effective targeting of market failures while supporting private financial intermediation. Effective oversight and implementation of AML/CFT measures are essential to safeguard against financial integrity risks.
- **Structural policies.** Priorities include reducing regional labor market imbalances and skills mismatches, deepening capital markets, enhancing innovation and digital diffusion, and bolstering energy security. Greater integration into the EU single market for products, capital, and labor will greatly accelerate growth.

**Approved By**
Helge Berger (EUR)

Discussions were held in Vilnius during May 13-26, 2026. The team comprised Ms. Kazuko Shirono (head), Ms. Alla Myrvoda, Mr. Lukas Boer, and Mr. Thibault Cezanne (all EUR). Mr. Vitas Vasiliauskas (OED) participated in most of the meetings. Ms. Ninfa Gonzalez, Ms. Kofi Gefei Zhou (all EUR), and Mr. Pierre Bardin (LEG) supported the mission from headquarters. The mission met with officials from the Ministries of Finance, Economy and Innovation, Energy, Health, Social Security and Labor, National Defense, and Education, Science and Sport; Panevėžys Municipality; the Bank of Lithuania; representatives from trade unions and employers' associations, businesses, and other government and private sector institutions and associations.

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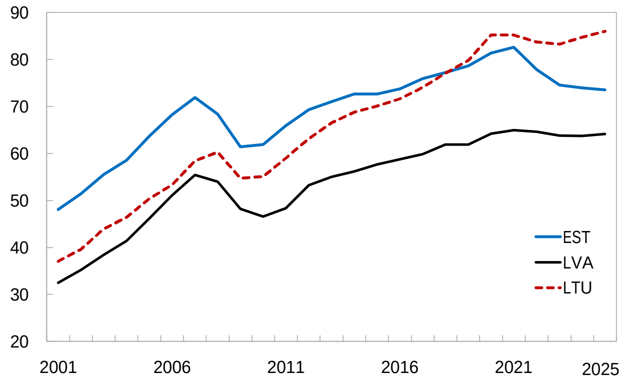
# CONTEXT AND RECENT DEVELOPMENTS

1. Despite persistent global headwinds, Lithuania has sustained strong growth and resumed convergence toward high-income EU peers—albeit at a slowing pace. Real GDP expanded by 3.1 percent on average over 2021-25. This performance has been supported by a temporary surge in net migration as well as by structural strengths, including a diversified export base and the expansion of higher-value-added activities.

Convergence to Euro Area: GDP Per Capita

(Index, EA=100, PPP)



Sources: IMF, World Economic Outlook; and IMF staff calculations.

2. Looking ahead, momentum hinges on shifting toward durable sources of growth anchored in a predictable policy course—which carries an added premium amid heightened external uncertainty. Pillar II pension amendments taking effect in 2026 are expected to temporarily bolster private consumption alongside robust wage growth. Fiscal expansion is also anticipated, driven by higher social benefits and defense spending. EU funds will support investment. These factors cushion the impact of high energy prices on growth in the near term but are no substitute for durable growth drivers. They also add to upside pressures on inflation. Rising fiscal sustainability risks and constraints from a declining labor force, weak productivity growth, and persistent skills mismatches call for a coherent realignment of the policy mix toward productivity-enhancing and fiscally sustainable measures.

3. The center-left government was reconfigured with the formation of a new cabinet in July 2026, following renewed changes within the ruling coalition. The revised coalition is expected to maintain key policy priorities, including social policy and national security.

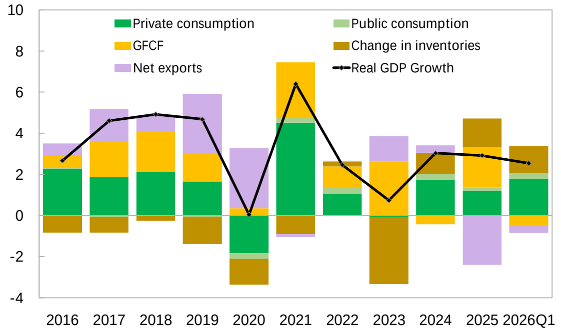
4. The economy continued to grow strongly in 2025 and early 2026. Growth remained steady in 2025 at 2.9 percent, driven by domestic demand and inventories partly reflecting frontloading ahead of tariffs. Consumption proved resilient despite elevated inflation and uncertainty, supported by robust income growth, fiscal easing, and favorable financial conditions. Investment strengthened, helped by robust credit growth and led by non-residential construction and machinery. Growth held up in 2026Q1 at 2.5 percent (y/y), supported by consumption and net services exports.

## Text Figure 1. Economic Growth

*Real GDP growth was 2.9 percent in 2025, slightly below the 3 percent recorded in 2024…*

Contribution to Real GDP Growth

(Year-on-year percent change)

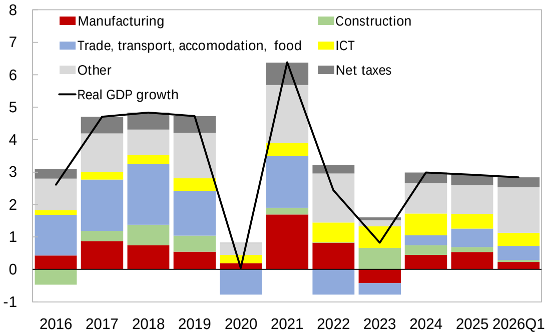


Sources: Haver Analytics; and IMF staff calculations.

*…with strong contributions from manufacturing, trade, transport, and accommodation.*

Contribution to Real GDP Growth

(Year-on-year percent change)



Sources: Eurostat; Haver Analytics; and IMF staff calculations.

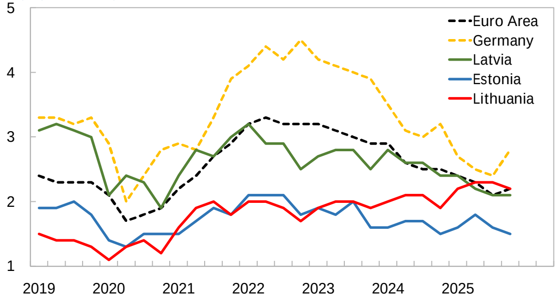
5. The labor market remained tight, with persistent labor shortages and strong wage growth. Employment declined marginally in 2025 amid weak migration and demographics, while vacancies hit record highs.[1] Wages rose by 8.4 percent[2], supported by a 12.3 percent minimum wage increase and higher public sector pay. After narrowing in 2025, the wage–productivity gap widened again in 2026Q1, as wage growth increased to 9.3 percent. Unemployment remained elevated at 7.1 percent in April, mainly due to skills mismatches (Annex VIII).

## Text Figure 2. Labor Market

*The labor market remains tight, with vacancies slowly trending up….*

Job Vacancy Rates

(In percent 1/ )

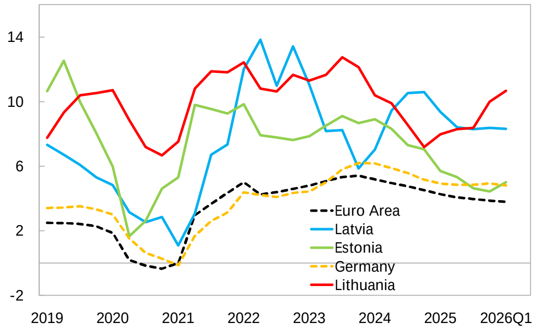


Sources: Haver Analytics; and IMF staff calcualations.
1/ For industry, construction, and services (except activities of households as employers and extra-territorial organizations and bodies).

*… contributing to strong wage growth.*

Compensation per Employee

(In percent, y/y growth, 4Q-moving average)



Sources: Haver Analytics; and IMF staff calculations.

*Productivity growth is rising but remains lower than the 2021 peak.*

*Despite narrowing in 2025, the productivity-wage gap widened in 2026Q1.*

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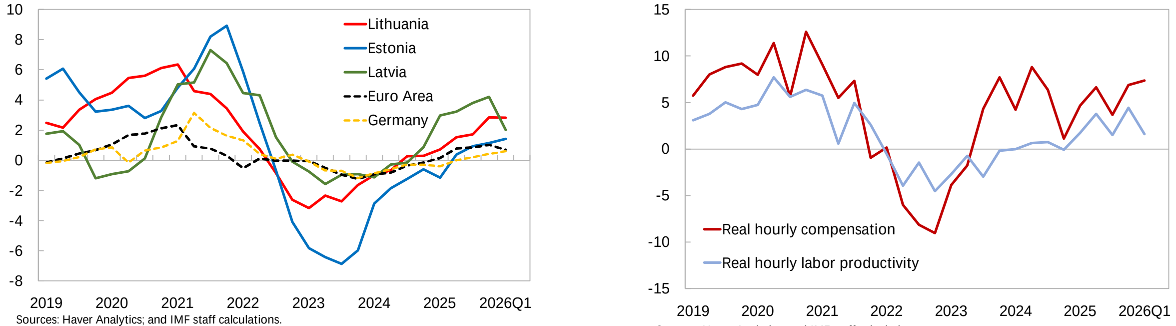
[1] Employment includes persons aged over 15 years of age.

[2] Defined as average monthly gross earnings excluding individual enterprises.

## Text Figure 2. Labor Market (Concluded)



Productivity Growth
(In percent, year-on-year growth, 4-quarter moving average 1/ )

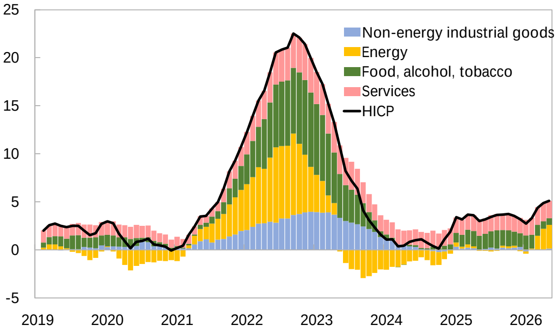
Sources: Haver Analytics; and IMF staff calculations.
1/ Defined as real labor productivity per hour worked, not seasonally adjusted, 4-quarter moving average of year-on-year growth rate.

Productivity and Labor Costs
(In percent, year-on-year growth 1/ )

Sources: Haver Analytics; and IMF staff calculations.
1/ Defined as real hourly compensation, deflated by HICP inflation, and real hourly labor productivity.

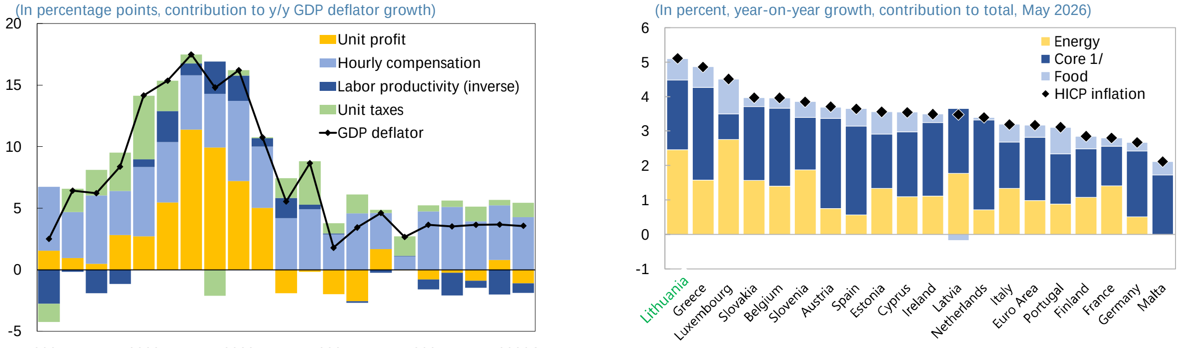
6. Inflation remained elevated, with domestic factors dominating in 2025 and energy prices adding renewed pressures in early 2026. Inflation remained above the euro area average in 2025 (3.4 vs 2.1 percent), driven by strong domestic demand, persistent services inflation, and excise duties hikes, partly offset by favorable external conditions, including a stronger euro and favorable energy costs. It rose further to 5.1 percent in May 2026 (vs. 3.2 EA average), mainly on higher energy prices.

HICP Inflation
(In percentage points, contribution to growth 1/ )



Sources: Have Analytics; and IMF staff calculations.
1/ Food inflation includes food, nonalcoholic and alcoholic beverages and tobacco.

## Text Figure 3. Inflation Developments



*Strong wage growth continues to drive the domestic-origin inflation.*

GDP Deflator Decomposition
(In percentage points, contribution to y/y GDP deflator growth)

Sources: Haver Analytics; and IMF staff calculations.

*At 5.1 percent, inflation was the highest in the Euro Area in May 2026.*

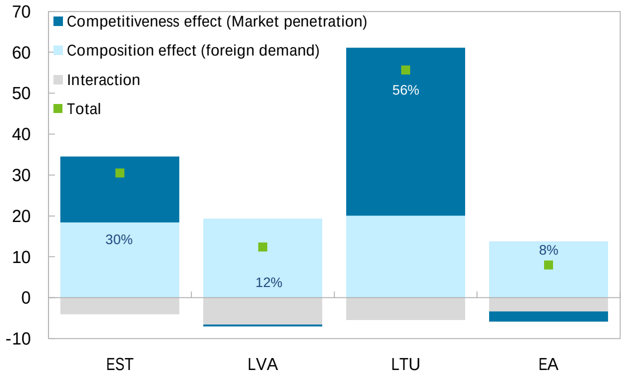
Headline HICP Inflation
(In percent, year-on-year growth, contribution to total, May 2026)

Source: Haver Analytics; and IMF staff estimates and calculations.
1/ Core infaltion defined as total excluding energy, food, alcohol, and tobacco.

7. Despite a smaller-than-expected deficit, fiscal policy was expansionary in 2025. The fiscal deficit of 1.8 percent of GDP was higher than in 2024 (1.3 percent of GDP) but well below the budgeted 3.0 percent of GDP, mainly on stronger-than-budgeted revenues (largely one-off items) and some underutilization of funds.[3] The fiscal stance—measured as the change in the cyclically adjusted primary balance (CAPB)—was loosened by 0.5 percentage points, largely due to social benefits and a higher government wage bill. Public debt increased from 38.0 to 39.5 percent of GDP. Allocated Recovery and Resilience Facility (RRF) grants are expected to be fully absorbed by August 2026. The national fiscal rule was amended to align with the EC fiscal rule, resulting in a slight easing by shifting the target from a balanced structural balance to net expenditure growth, aiming for a structural deficit below 1 percent (when not in excess deficit procedure). The new rule reduces complexity while preserving the operation of automatic stabilizers. It also allows municipalities, which largely generated balanced budgets over the last years, to run larger deficits capped at 1.5 percent of revenues.

8. The current account surplus declined as the goods balance worsened along with buoyant domestic demand. The current account surplus narrowed to 0.9 percent of GDP in 2025 (from 3.2 in 2024), mainly due to higher imports linked to strong domestic demand. The weaker goods balance was partly offset by stronger services exports and improved terms of trade. Exports faced headwinds with HICP-based and ULC-based REER appreciating by 0.9 and 2.8 percent, respectively, reflecting higher inflation and unit labor cost differentials. Recent gains in labor productivity and exports diversification have helped ease some of these pressures. The external position in 2025 was broadly in line with the level implied by fundamentals and desirable policies (Annex III).

Contribution to Service Export Market Share Growth, 2021Q3-2025Q4
(Percent)



Sources: *World Economic Outlook*, IMF; Eurostat; ECB; and IMF staff calculations.

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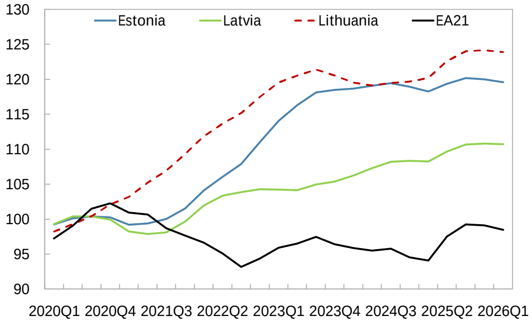
[3] Accounting fully for cash-based defense equipment orders, around 4 percent of GDP in 2025, would have increased the deficit, which is measured on an accrual basis, around 1 percent of GDP.

## Text Figure 4. External Sector Developments

*Lithuania's REER appreciated faster than in peers …*

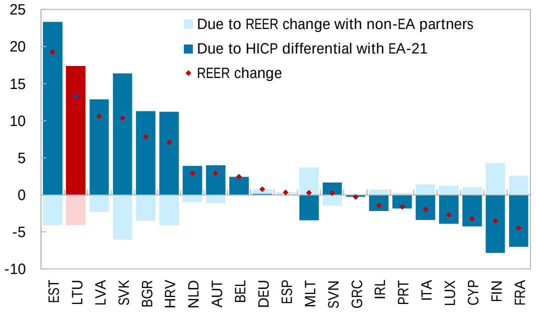
ULC-based REER
(2020=100)



Sources: European Commission; and IMF staff calculations.

*…driven by price differentials with Euro Area countries…*

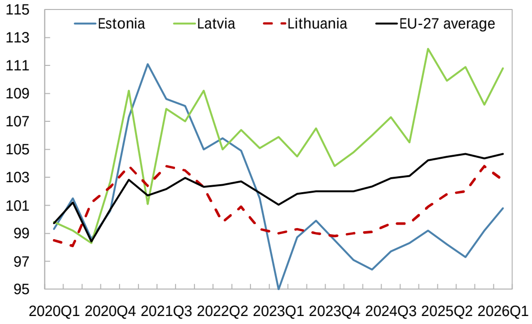
Change in HICP-based REER
(Percent change, 2026Q1 vs. 2021Q1)



Sources: European Commission; IMF, World Economic Outlook; and IMF staff calculations.

*while labor productivity is starting to recover only gradually.*

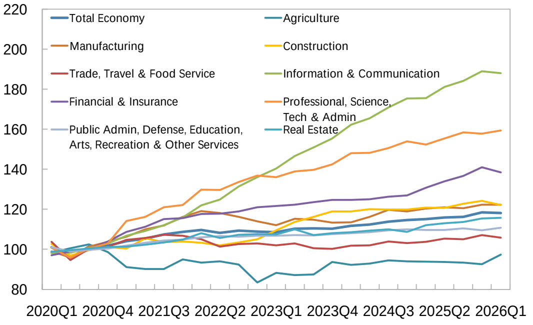
Real Labor Productivity per Hour Worked
(SWDA, 2020=100)



Sources: Eurostat; and Haver Analytics.

*But Lithuania's trade and competitiveness are supported by increasing share of high-value added sectors…*

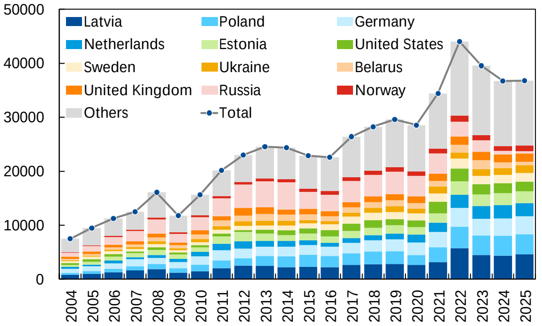
Real Gross Value Added
(SWDA, 2020=100)



Sources: Eurostat; Haver Analytics; and IMF staff calculations.

*…well-diversified export destinations…*

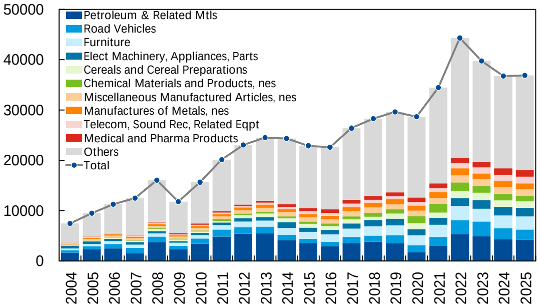
Lithuania: Exports by Top 12 Partner Countries
(Mil. Euros)



Sources: Haver Analytics; and IMF staff calculations.

*…and product mix.*

Lithuania: Exports by Top 10 Commodities 1/
(Mil. Euros)



Sources: Haver Analytics; and IMF staff calculations.
1/ Based on 2023Q3 data.

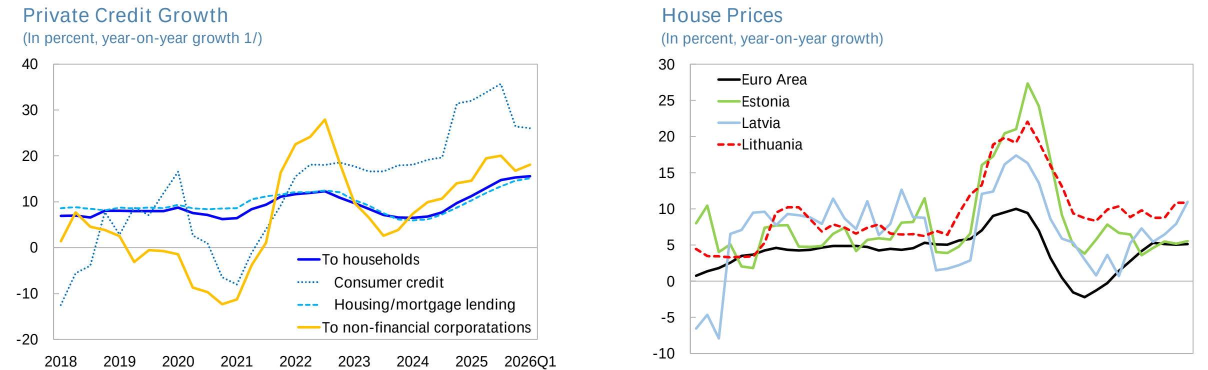
9. Financial expansion continued in 2025 as financial conditions eased with momentum carrying into early 2026. Lending rates declined and credit demand strengthened, supporting broad-based loan growth to households and non-financial corporations (Text Figure 5), while the legal changes to make mortgage refinancing free and simpler increased loan refinancing. Credit growth supported activity in the housing market where house prices rose by 10.8 percent y/y in 2025Q4. Housing affordability improved in 2025 due to easing financial conditions and robust

income growth but is tempered by accelerating house prices while affordability gaps for lower-income households persist.

### Text Figure 5. Credit and Housing Market Developments

*Credit to households and NFCs accelerated to 15.5 and 18 percent y/y in 2026Q1,...*

*... supporting housing market activity and price growth (10.8 percent y/y in 2025Q4).*

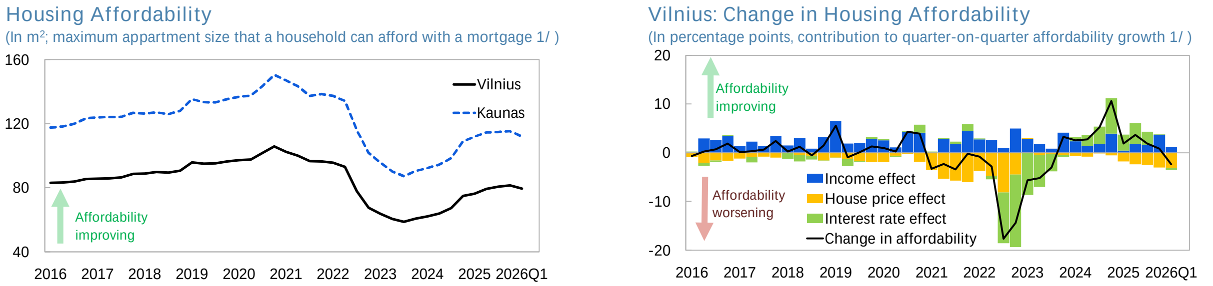


Sources: Haver Analytics; and IMF staff calculations.
1/ Defined as loans of other MFIs to households and non-fincial corporations.

Sources: Haver Analytics; and IMF staff calculations.

*After some gains in 2024, the pace of housing affordability improvements slowed in 2025, ...*

*... as income growth and better financing conditions were offset by house price growth.*



Sources: Haver Analytics; ECB; Ober Hous; Statistics Lithuania; Global Property Guide; and IMF staff calculations.
1/ For illustrative purposes, housing affordability here is measured as the largest appartment size (in squared meters) that an average household could purchase with a mortgage. Calculations assume 15 percent down payment, 30-year loan maturity, bank interest rate on loans to households for house purchase (new business), and household monthly payment that does not exceed 40 percent of the household income. Household monthly income is assumed to equal 1.5 times the average monthly net earnings incl. individual enterprises.

Sources: Haver Analytics; ECB; Ober Hous; Statistics Lithuania; Global Property Guide; and IMF staff calculations.
1/ For illustrative purposes, housing affordability here is measured as the largest appartment size (in squared meters) that an average household could purchase with a mortgage. Calculations assume 15 percent down payment, 30-year loan maturity, bank interest rate on loans to households for house purchase (new business), and household monthly payment that does not exceed 40 percent of the household income. Household monthly income is assumed to equal 1.5 times the average monthly net earnings incl. individual enterprises.

10. The banking system remains well-capitalized, liquid, and profitable, maintaining substantial buffers. Although profitability has decreased due to lower policy rates and strong asset growth, it remains robust. Non-performing loan ratios are still among the lowest in Europe.

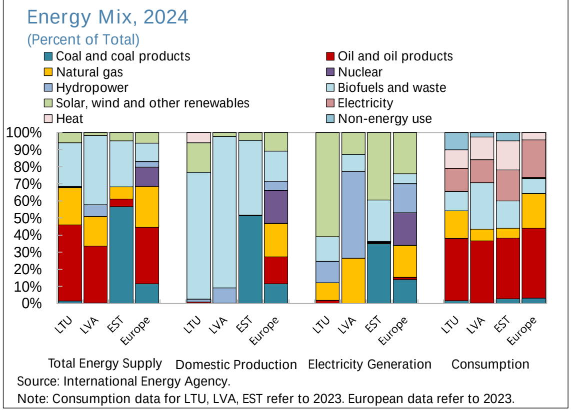
## OUTLOOK AND RISKS

11. Growth is projected to remain robust at 2.8 percent in 2026, as expansionary policies counter the adverse energy price shock's effect on growth while adding to inflation.

- Energy prices are expected to increase by 28 percent in 2026 due to the adverse energy shock—Lithuania's reliance on imported energy remains high—temporarily increasing inflation and reducing growth. The latter, however, is expected to be partly offset by a boost to domestic demand (Text Table 1) from Pillar II pension withdrawals,[4] wage growth, and fiscal stimulus from higher social benefits, while EU funds support investment. Exports will continue to face challenges, while imports outpace exports due to rising demand and defense spending. The positive output gap will further widen to 0.5 percent. In 2027, growth is expected to slow to 2.2 percent due to base effects before increasing again in 2028 with the expected second wave of Pillar II pension withdrawals.

- Over the medium term, GDP growth will moderate from recent highs to around 2.4 percent reflecting normalizing domestic demand and the effects of population aging on employment. Although strong by European standards, this growth rate is insufficient to stabilize debt amid rising social and defense spending, underscoring the need for structural reforms and fiscal adjustment.

- Inflation is expected to increase in 2026 to 5.2 percent, given high energy import dependence and taxes (adding 1.1 percentage points), along with expansionary fiscal measures, and remain above 2 percent over the medium term.


Energy Mix, 2024

(Percent of Total)

Source: International Energy Agency.

Note: Consumption data for LTU, LVA, EST refer to 2023. European data refer to 2023.

## Text Table 1. Summary Framework

| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Projections | | | | | |
| Real GDP growth (percent) | 2.4 | 0.8 | 3.0 | 2.9 | 2.8 | 2.2 | 2.6 | 2.5 | 2.4 | 2.4 |
| Private consumption growth (yoy, in percent) | 1.8 | -0.1 | 3.3 | 2.0 | 3.9 | -1.2 | 3.1 | 1.2 | 2.0 | 2.0 |
| Domestic fixed investment growth (yoy, in percent) | 4.5 | 11.3 | -1.5 | 7.9 | 6.7 | 6.1 | 4.5 | 3.6 | 4.6 | 4.4 |
| Export growth (yoy, in percent) | 11.7 | -3.3 | 2.6 | 5.3 | 2.6 | 3.2 | 3.0 | 3.0 | 2.9 | 3.0 |
| Import growth (yoy, in percent) | 13.0 | -5.3 | 2.4 | 9.3 | 4.6 | 1.6 | 3.5 | 2.0 | 3.0 | 3.0 |
| Output gap (percent of GDP) | 1.4 | -0.4 | 0.1 | 0.4 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Inflation (percent) | 18.9 | 8.7 | 0.9 | 3.4 | 5.2 | 3.1 | 2.7 | 2.5 | 2.5 | 2.5 |
| Employment (annual percentage change) | 3.8 | 1.4 | 1.6 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 |
| Unemployment rate (percent) | 6.0 | 6.9 | 7.1 | 6.9 | 6.8 | 6.6 | 6.4 | 6.2 | 6.0 | 5.9 |

Sources: Lithuanian authorities; and IMF staff estimates and projections.

Notes: Projections include the assumption that 70 percent of participants withdraw from the Pillar II during 2026-2027.

12. Amid high uncertainty, risks are to the downside for growth and to the upside for inflation.

- Higher trade barriers and market volatility, resurfacing Middle East tensions, or more adverse geopolitical events could push energy prices further up, fueling inflation and slowing growth, while delays in structural reforms and in addressing spending pressures could weigh on medium-term growth and increase debt sustainability concerns (Annex I). Under an illustrative downside scenario, with a prolonged price shock and tighter financial conditions, growth and

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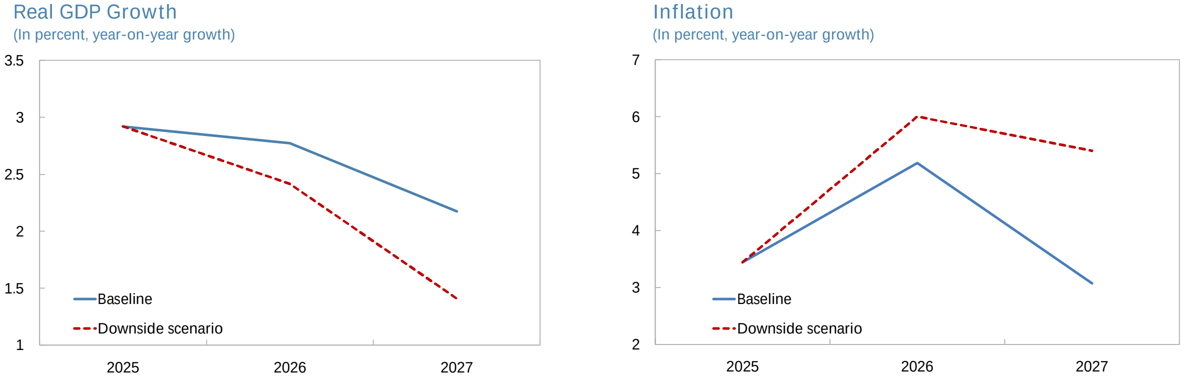
[4] About 40 percent of participants and savings were withdrawn by April 2026 (participants received about 3.2 percent of GDP). The baseline assumes two waves of Pillar II pension withdrawals: 50 percent of participants withdraw in 2026 (4.1 percent of GDP, of which 2.0 percent of GDP is consumed); and 20 percent withdraw at end-2027 (1.5 percent of GDP, of which 0.4 percent of GDP is consumed).

inflation would deteriorate (Text Figure 6).[5] Higher energy prices would push up inflation and slow growth, while weaker revenues and higher debt servicing costs would widen the fiscal deficit resulting in a deteriorated current account due to weaker terms of trade and exports. Higher inflation risks feeding into wage growth and eroding cost competitiveness if not matched by productivity growth.

Text Figure 6. Illustrative Downside Scenario

*In an illustrative downside scenario real GDP growth would be lower than that under the baseline…*

*…. and inflation higher.*



Sources: IMF staff calculations.

Sources: IMF staff calculations.

- On the other hand, under unchanged fiscal and macroprudential policies, larger-than-expected Pillar II pension withdrawals and buoyant credit and real estate markets could further boost spending and inflation above the baseline. More favorable developments in the Middle East could improve the outlook.

### *Authorities' Views*

13. The authorities broadly agreed that growth remains steady but the outlook is uncertain. They expect solid growth in 2026, supported by domestic demand—including Pillar II pension withdrawals, EU-funded investment, and defense spending—partly offset by the energy shock. They also expect inflation to rise temporarily, driven mainly by energy prices and indirect taxes. While they noted improvements in energy resilience through greater renewables deployment, deeper EU electricity market integration, and more diversified import sources, they cautioned that a prolonged conflict in the Middle East could weigh on growth and inflation. They also identified weak productivity growth and unfavorable demographics as key medium-term challenges.

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[5] The downside scenario assumes a sustained surge in energy prices—doubling oil and tripling gas prices in mid-2026 relative to pre-war with some food pass-through and energy prices remaining elevated in 2027—pushing up inflation expectations and widening global credit spreads amid a risk-off episode.

# POLICY DISCUSSIONS

*Lithuania needs a credible medium-term fiscal strategy—anchored primarily on revenue mobilization—to preserve fiscal buffers as rising aging-related and social spending pressures, alongside high defense outlays, drive debt higher. In parallel, productivity-enhancing structural reforms—especially to reduce labor market imbalances, improve enterprise access to finance, strengthen innovation and digital diffusion, and enhance energy resilience—together with deeper integration into the EU Single Market, will be essential to sustain income convergence and reinforce fiscal sustainability.*

## A. Fiscal Policy

14. Despite a positive output gap, higher spending will keep fiscal policy expansionary in 2026, placing sovereign debt on a steady upward path. The 2026 budget commits over 5 percent of GDP to defense and allocates substantial additional spending to social benefits, while maintaining the deficit at 2.8 percent of GDP. Under staff's baseline, the deficit rises from 1.8 in 2025 to 2.3 percent of GDP in 2026, implying a fiscal impulse of 0.3 percentage points of GDP driven largely by defense. The 2025 tax change gains (around 0.6 percent of GDP; Text Table 2) are insufficient to offset higher spending. In 2027–28, the deficit is projected to widen to 2.8 and 3.4 percent, respectively—above the allocated 2.8 percent of GDP over 2027-28 in the budget— resulting in a moderately expansionary fiscal impulse (Text Figure 7).[6] After 2028, the deficit is assumed to widen further as defense deliveries accelerate. While sovereign debt stress risks remain low, government debt is projected to rise steeply under the baseline, reaching around 60 percent by 2033 (Annex IV).

Text Table 2. Budget Impact of 2026 Revenue Measures
(percent of GDP)

| Measures | 2026 | 2027 |
|---|---|---|
| Introduction of new intermediary 25% PIT rate for a threshold of 36-60 average wages and aggregation of income | 0.01 | 0.22 |
| Corporate income tax changes, including increase the rate by 1ppt to 17% | 0.04 | |
| Increase reduced VAT rate of 9 to 12%, lower rate for books to 5%, remove VAT relief for heating, hot water and firewood | 0.09 | |
| Real estate tax changes | | 0.08 |
| Introduction of excise tax on sweetened beverages | 0.03 | |
| Introduction of 10% tax for non-life insurance premia | 0.12 | |
| Increase in excise duties (alcohol, tobacco, pollution, CO2 and safety component) | 0.20 | |
| Other discretionary revenue changes | -0.19 | |
| Total | 0.30 | 0.31 |

Sources: Ministry of Finance. Draft budget 2026. Notes: Some revenues are only received in 2027 due to declaration standards.

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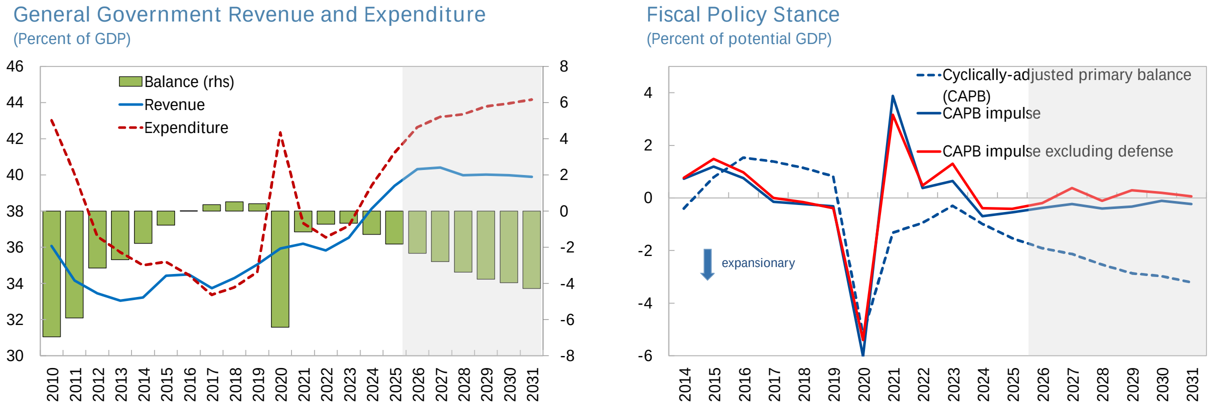
[6] Absent new measures, staff's baseline assumes less reduction in the wage bill as a share of GDP, no further revenue gains, and additional aging-related spending.

### Text Figure 7. Fiscal Stance



General Government Revenue and Expenditure
(Percent of GDP)

Sources: Ministry of Finance; and Haver Analytics.

Fiscal Policy Stance
(Percent of potential GDP)

Sources: Ministry of Finance; and IMF staff calculations.

15. **Mounting spending pressures from defense, aging, and social benefits call for a credible medium-term fiscal strategy to safeguard fiscal sustainability.** The national escape clause for defense expenditure[7] expires in 2028, requiring a structural deficit adjustment from above 3 to -1 percent of GDP in 2029—unrealistic in view of rising spending pressures (Text Figure 8, Text Table 3). The model that previously kept debt near 40 percent of GDP—built on a rising labor share that boosted personal income tax (PIT) revenues, alongside low debt-service costs—is reaching its limits, with labor's share now above the EU average and interest costs rising (Text Figure 9). Lithuania therefore faces a policy choice on the role of government: persistently higher spending must be met either by reprioritization within the existing envelope or by additional revenues. Given limited scope for significant spending cuts without affecting core public services, the balance should lean toward revenue to keep debt contained.

### Text Table 3. Past and Future Spending Pressures
(percent of GDP)

| | **Change 2015-2024** | **Medium - Long-Term Pressures** (relative to 2024) | |
|---|---|---|---|
| | | **Min** | **Max** |
| Defense | 1.3 | 1.9 | 2.9 |
| Health care and long-term care | 1.2 | 0.5 | 1.5 |
| Education | 0.4 | -1.0 | -1.0 |
| Pensions and other social protection | 1.2 | 3.0 | 5.0 |
| **Total** | **4.0** | 4.4 | 8.4 |
| Interest Payments | -0.8 | 0.2 | 0.6 |
| **Total** | **3.2** | **4.6** | **9.0** |

| | **2015** | **2022** | **2025** |
|---|---|---|---|
| Wage bill | 9.7 | 10.2 | 12.1 |
| Percent of total expenditure | 27.6 | 28.0 | 29.3 |
| Tax revenue and social security contributions | 29.1 | 32.0 | 34.0 |

Sources: IMF staff estimates. Notes: Expenditure is on accrual basis.

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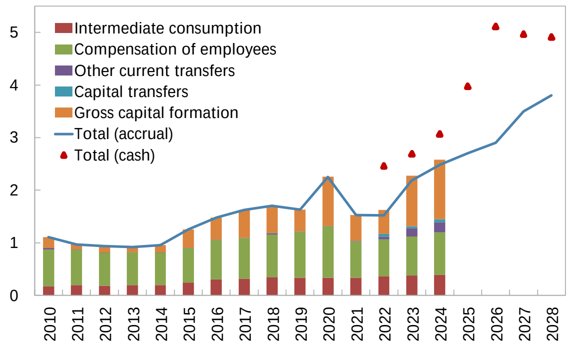
[7] The national escape clause permits a deviation from the EU fiscal framework's net expenditure path of up to 1.5 percent of GDP annually for additional defense spending for the period 2025-28.

## Text Figure 8. Defense Spending

General Government Defense Expenditure

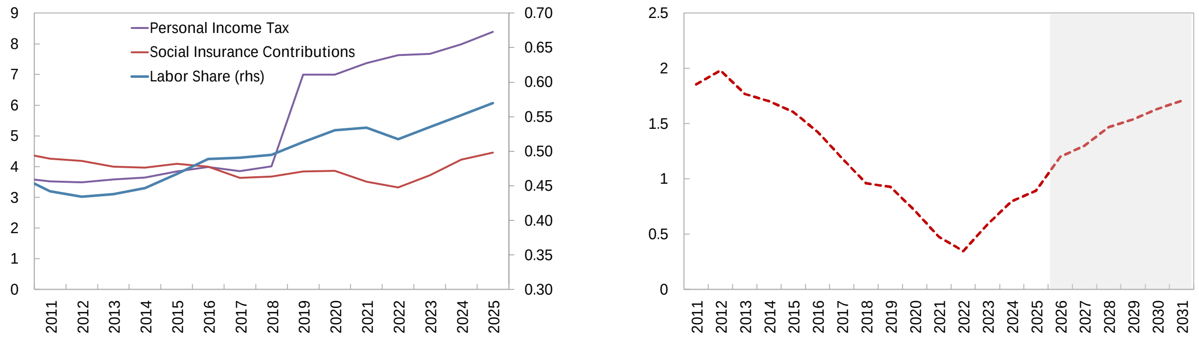
(Percent of GDP)



Sources: Eurostat, Ministry of Defense, 2026 Budget. Notes: COFOG definition.

| **Cash item** | **2024 (% of GDP)** | **2025 (% of GDP)** |
|---|---|---|
| Weapons and military equipment | 0.7 | 2.0 |
| Military stocks | 0.4 | 0.3 |
| Personnel | 0.9 | 1.0 |
| Investments and other assets | 0.6 | 0.3 |
| Expenses for carrying out activities | 0.5 | 0.5 |
| **Total** | **3.1** | **4.0** |

## Text Figure 9. Accommodating Fiscal Pressures


Taxes and Labor Share

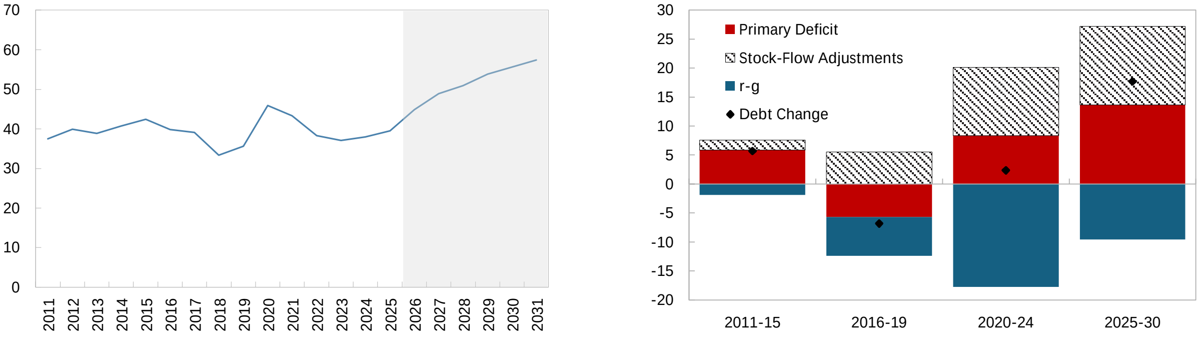
(Percent of GDP; Compensation of Employees/Gross Value Added)

Sources: Haver Analytics; and IMF staff calculations.

Debt Service: Interest Paid

(percent of GDP)

Sources: Ministry of Finance; and IMF staff calculations.


General Government Debt

(percent of GDP)

Sources: Ministry of Finance; and IMF staff calculations.

Debt Change Decomposition

(Percentage Points of GDP, Change in EOP Debt Stock)

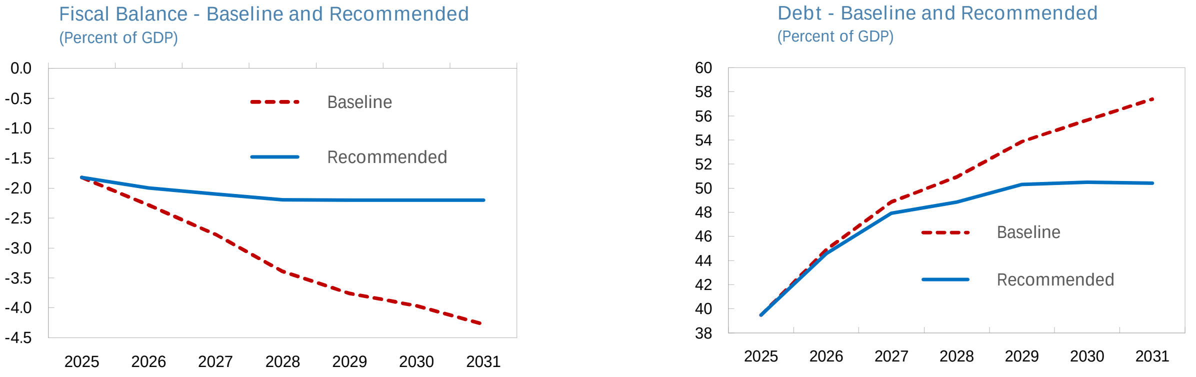
Sources: Ministry of Finance; and IMF staff caluclations.

16. Operationalizing this strategy requires revenue-led adjustment with some spending reprioritization, to anchor debt at a prudent level and preserve buffers.

- For 2026, amid a positive output gap and rising inflation, a tighter fiscal stance is warranted. Unused spending and revenue overperformance should be saved to preserve buffers and reduce the need for larger future adjustments. Should downside risks materialize, automatic stabilizers should be allowed to operate while continuing to pursue a tighter-than-planned fiscal stance. Higher energy prices should be allowed to pass through to end users encouraging energy conservation; any mitigating measures should be targeted, temporary, and lump-sum—directed to vulnerable households and, where warranted, viable firms—to contain fiscal costs and preserve price signals.[8]

- After 2026, targeting an overall deficit of up to 2.2 percent of GDP, with annual measures yielding 0.2-0.5 percent of GDP to offset the higher underlying spending commitments, totaling 2.1 percent of GDP by 2031 (Text Figure 10), would stabilize debt at around 50 percent of GDP, preserving fiscal space in a volatile environment where shocks can quickly increase debt by 10 percentage points of GDP, as seen in 2019–2020.

Text Figure 10. Alternative Fiscal Scenarios



Text Table 4. Baseline and Recommended Fiscal Paths

| In percent of GDP | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|
| **Fiscal balance** | | | | | | |
| Baseline | -2.3 | -2.8 | -3.4 | -3.8 | -4.0 | -4.3 |
| Recommended | -2.0 | -2.1 | -2.2 | -2.2 | -2.2 | -2.2 |
| Difference | 0.3 | 0.7 | 1.2 | 1.6 | 1.8 | 2.1 |
| **Cyclically Adjusted Primary Balance** | | | | | | |
| Baseline | -1.9 | -2.1 | -2.5 | -2.8 | -2.9 | -3.2 |
| Recommended | -1.3 | -1.5 | -1.4 | -1.4 | -1.2 | -1.2 |
| **Fiscal impulse** | | | | | | |
| Baseline | -0.3 | -0.2 | -0.4 | -0.3 | -0.1 | -0.2 |
| Recommended | 0.2 | -0.2 | 0.1 | 0.1 | 0.1 | 0.1 |
| **Public debt** | | | | | | |
| Baseline | 44.9 | 48.9 | 50.9 | 53.9 | 55.7 | 57.4 |
| Recommended | 44.6 | 47.9 | 48.9 | 50.3 | 50.5 | 50.4 |

Source: IMF staff calculations.

Notes: Numbers correspond to baseline and recommended paths in Text Figure 9. The fiscal impulse is calculated as the change in the cyclically adjusted primary balance such that a negative impulse represents expansionary policy.

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[8] Examples of recent support measures include a temporary reduction in diesel excise duties and the provision of government-backed loans to firms.

17. **Consolidation should focus on additional tax measures as current revenue levels are below the EU average.** Specific measures should (i) broaden the property tax base and raise property tax rates, including via strengthening incentives for local governments to raise own revenues and linking them to the provision of local services, (ii) increase progressivity in PIT where high marginal tax rates for lower incomes discourage work and upper tax brackets only affect a small share of workers, (ii) limit exemptions in the corporate income tax and excise duties, and (iv) narrow the VAT compliance gap. This could raise a combined 1.5-3 percent of GDP in additional revenues.[9] Raising the VAT threshold should be avoided as it would reduce revenue and lead to a loss of important third-party registration information. IMF technical assistance on VAT compliance gap is currently ongoing.

18. **Revenue gains should be complemented by some spending reprioritization and greater means-testing, balancing social needs with fiscal sustainability** (Text Figure 11). With public sector employment exceeding the EU average and wages above the EU average by around 1 percentage point of GDP, curbing the currently high wage bill growth—through an integrated pay policy with benchmarks and stronger central oversight, in line with IMF technical assistance—is essential. Social benefits, currently at around 17 percent of GDP, are well below the EU average (Panel Figure 7), but better targeting could yield savings of up to 1 percent of GDP.[10] In health care, relatively low spending efficiency compared with peers leaves scope for a better staffing mix and cost rationalization via a stronger focus on primary care—essential given rising aging-related care costs and high out-of-pocket payments.

Text Figure 11. Tax Revenues and Spending

*Tax revenue relative to GDP is lower than in European AEs, especially for property taxes and PIT.*

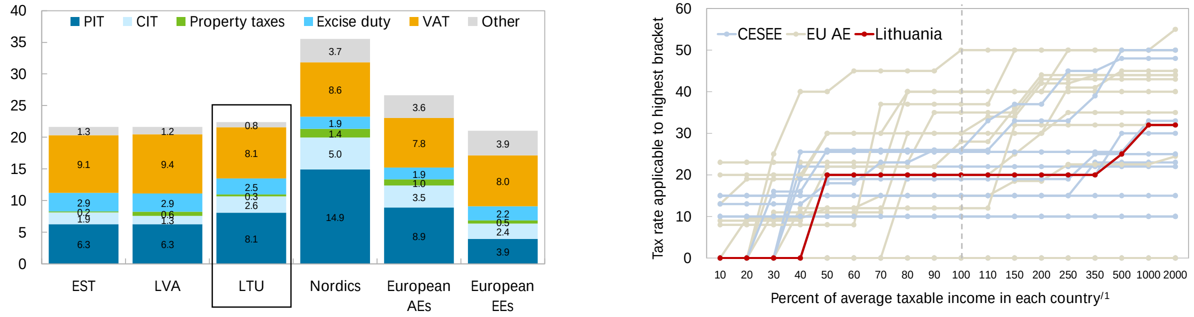
Tax Revenue Level

(Percent of GDP)

*Given the flat PIT rate structure across most incomes, reform should also focus on adding progressivity.*

PIT Rate Structure, 2026

(Percent)



Sources: Government Finance Statistics, IMF; and Eurostat. Notes: 2024 data for LTU, 2023 data for other countries.

Source: Taxes in Europe database v4; and IMF staff calculations.
1/ Taxable income is defined as gross earnings less social security contributions

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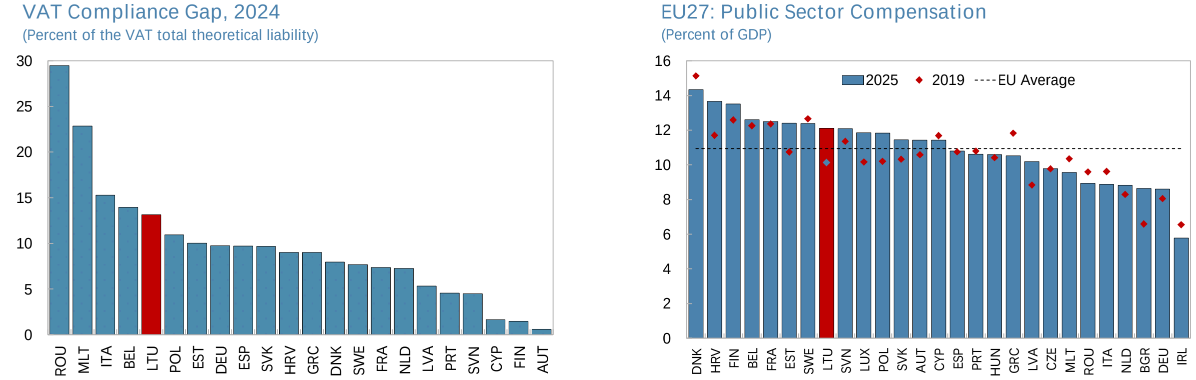
[9] IMF (2025), Republic of Lithuania: Selected Issues, No. 25/259.

[10] See Pienkowski et al. (2026) 'Lean and Just? Social Protection Spending and Inequality Outcomes across Europe, IMF WP 26/78.

Text Figure 11. Tax Revenues and Spending (Concluded)



*The VAT compliance gap remains high relative to peers.*

VAT Compliance Gap, 2024
(Percent of the VAT total theoretical liability)

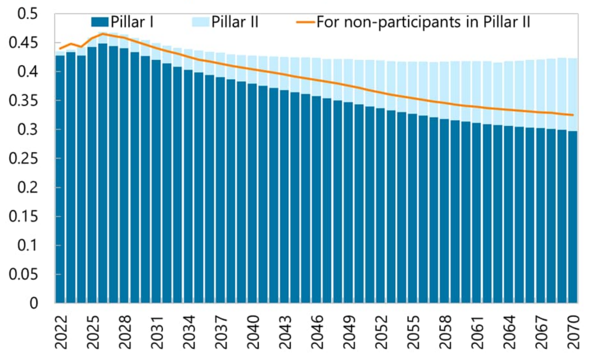
Source: Eurostat.

*The public wage bill has risen above the EU average in recent years.*

EU27: Public Sector Compensation
(Percent of GDP)

Sources: IMF, *World Economic Outlook*; and IMF staff calculations.

19. **The recent erosion of Pillar II intensifies the need to re-strengthen the pension system to ensure both long-term fiscal sustainability and social adequacy.** Demographic pressures alone will push public pension expenditure up by more than 3 percent of GDP over the next two decades; the recent changes—ending automatic enrollment and allowing early withdrawals or contribution breaks from 2026—further erode pension adequacy and add to future fiscal pressures. Preserving accumulated Pillar I balances would help build buffers against adverse demographics and the weakened Pillar II. The near-term focus should be on stabilizing Pillar II, including by maintaining state contributions to preserve incentives to participate. More fundamentally, a comprehensive reassessment of the pension strategy is needed to reinforce Pillar II and better align the system with European best practices.[11]



**Average Replacement Ratios**
(Percent of net income prior to retirement)

Source: Ministry of Social Affairs and Labor.

20. **The national fiscal council's institutional framework should be strengthened further.** Although the new fiscal rule has expanded its mandate and requires government accountability, the council's independence could be enhanced by granting it a separate mandate, legal status, and budget outside the national audit office. Providing sufficient resources and improving communication would also boost its effectiveness.[12]

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[11] EC (2025), 'Technical Support in transforming the existing fully state-administered funded pension scheme in Lithuania', implemented by ILO.

[12] OECD, (2025) 'OECD Review of Lithuania's Independent Fiscal Institution 2025', OECD Papers on Budgeting, Volume 2025/11.

*Authorities' Views*

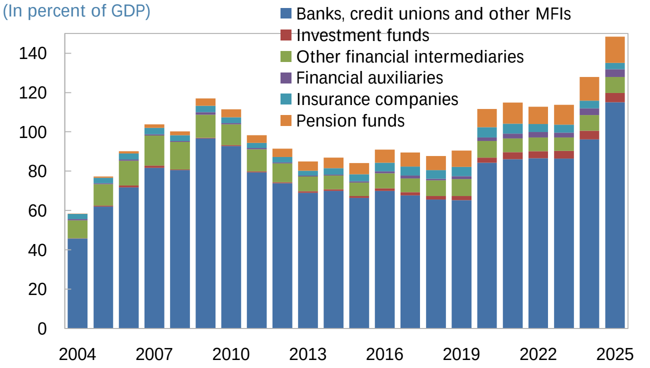
21. The authorities agreed that additional revenues are needed to support increased spending commitments but saw little scope for further tax changes before the next electoral cycle. They acknowledged that debt is projected to rise in the coming years and noted that future revenue measures will be needed to contain pressures. They recognized property taxation as an efficient and relatively non-distortionary source of revenue, notwithstanding political constraints. In the interim, they are focusing on improving spending efficiency, strengthening tax compliance, and fostering public dialogue on future measures. In response to the energy price shock, the authorities stressed their commitment to targeted and temporary support measures. They broadly agreed that accumulated Pillar I pension reserves should be preserved and that the Pillar II pension system needs stability.

## B. Financial Sector Policies

22. The financial sector, dominated by banks, remains stable and sound. Banks account for over ¾ of financial system assets (text chart), and total assets have expanded rapidly—from 76 to 112 percent of GDP over 2021-25[13]—largely driven by one bank with substantial operations abroad. The sector remains highly concentrated, with four banks holding 84 percent of assets. Large banks report strong profitability and efficiency, while some smaller banks lag behind and would benefit from stronger capitalization. BOL stress tests suggest that capital buffers remain sufficient to absorb shocks, with ample liquidity underpinning resilience.

Assets of Financial Institutions

(In percent of GDP)



Source: Bank of Lithuania; IMF staff calculations.

Note: Financial auxiliaries include insurance brokers and agents, pension fund and CIU management companies, operators of crowdfunding and peer-to-peer lending platforms, etc. Other financial intermediaries include financial leasing companies, factoring companies, venture capital companies, etc.

23. Lithuania's non-bank financial sector continues to mature and expand. In the fintech payment segment, provider numbers have stabilized and revenues continue to grow, though concentration remains high and profitability uneven—the three largest institutions account for over 1/3 of turnover, while about 1/3 of firms operate at a loss. Following the implementation of the EU's Markets in Crypto Assets Regulation (MiCA), Lithuania's crypto-asset sector is transitioning from a registration-based regime to a licensing-based framework. Of about 360 registered entities, only about a third were financially active. By end-2026Q1, six Crypto-Asset Service Providers (CASPs) had been authorized (text figure 12). The impact on business volume remains uncertain as the licensing transition is ongoing. Pillar II pension assets fell from EUR 10.6 bn at end-2025 to EUR 6.4 bn in April 2026, reflecting a loss of about 40 percent of assets and participants in the first quarter. This is likely

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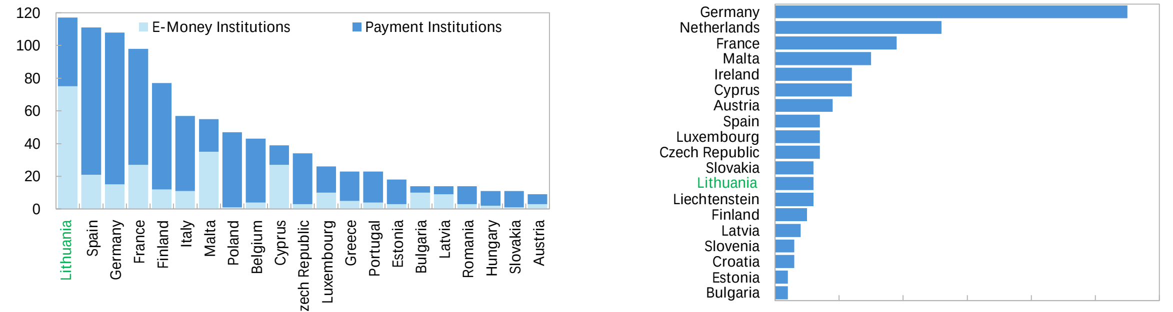
[13] Based on Bank of Lithuania's banking sector indicators on consolidated basis.

to weigh on capital market development, whereas a stronger Pillar II could help mobilize savings and ease SME financing constraints (Annex IX).

### Text Figure 12. Fintech



E-Money Institutions and Payment Institutions*, 2025H1

(Number of institutions)

Sources: European Central Bank; and IMF staff calculations.
Note: data is not available for Ireland, the Netherlands, and Slovenia.

Crypto-Asset Service Providers Licensed under MiCA

(Number, by country 1/ )

Sources: ESMA.
1/ last update on June 8, 2026.

24. **Governance of the national promotional bank, ILTE, needs strengthening as its mandate expands.** ILTE is scaling up rapidly; its portfolio is expected to reach about EUR 1.5 bn this year, staffing is increasing sharply, and its mandate is broadening to include defense, housing finance, and capital market development, among others. The authorities plan to reclassify ILTE by 2029 to be excluded from general government, subject to EUROSTAT's requirement of market-based operations. However, risks remain around oversight, risk management, and possible crowding out of the nascent capital market. Improvements should include discretion to apply pillar 2 capital add-ons, regular business model reviews, stronger liquidity monitoring and reporting, and governance safeguards against external interference. As ILTE's role expands, efforts should remain focused on addressing well-identified market failures while preserving financial discipline, prioritizing instruments such as guarantees and risk-sharing tools that target specific frictions and complement—rather than substitute for—private financial intermediation.

### Text Table 5. Macroprudential Measures

| | Valid from: |
|---|---|
| **Borrower-based measures:** | |
| Loan-to-value ratio (LTV) | |
| 85 percent | 2011 |
| 70 percent for second and subsequent housing loans | 2022 |
| Debt service-to-income ratio (DSTI) | |
| 40 percent | 2011 |
| 50 percent in scenario with 5 percent interest | 2015 |
| Loan maturity | |
| 30 years | 2015 |
| **Bank-based measures:** | |
| Counter-cyclical capital buffer (CCyB) | |
| 1 percent | 2023 |
| Systemically Important Institution (O-SII) buffer | |
| 1-2 percent | |
| Sectoral systemic risk buffer | |
| 2 percent for the housing loan portfolio | 2022 |
| Capital conservation buffer | |
| 2.5 percent | 2015 |

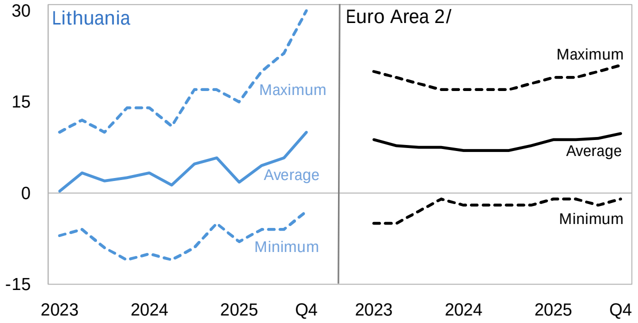
Source: Bank of Lithuania.

25. **The macroprudential stance remains broadly appropriate, but cyclical risks are building and warrant continued vigilance.** Credit growth to firms and households has accelerated alongside residential real estate (RRE) price growth, while commercial real estate (CRE) imbalances persist amid office over-supply. Bank lending surveys point to rising pressures in RRE, driven by elevated valuations and localized supply–demand mismatches. Systemic risks remain contained for now—the credit gap is close to zero, the

RRE misalignment is broadly in line with the euro area average (around 10 percent versus 9.8 percent, though the gap between model estimates has widened; text chart[14]), and CRE prices broadly held up in 2025—though the RRE misalignment is widening and household credit growth is gaining pace. Banks' sizable real estate exposures are mitigated by low borrower leverage (Text Figure 13), low NPLs, ample liquidity, robust capitalization, and releasable capital buffers (CCYB and sectoral systemic risk buffer; Text Table 6).

### Over/Undervaluation of Residential Property Prices

(In percent, quarterly 1/ )



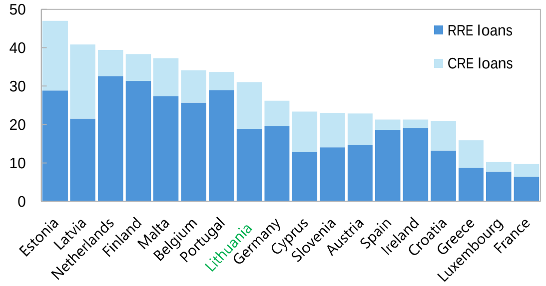
Sources: ECB.
1/ Estimates of over/undervaluation of residential property prices in selected EU countries are based on four different valuation methods: price-to-rent ratio, price-to-income ratio and two model-based methods.
2/ Euro area 20 (fixed composition) as of 1 January 2023.

## Text Figure 13. Bank Loans and Exposures to Real Estate

*Lithuanian banks have sizable exposures to real estate.*

Bank Real Estate Exposures

(In percent of assets, 2025Q3 1/)

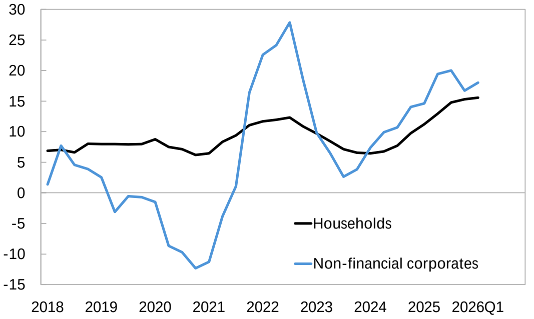


Sources: Haver Analytics; IMF, IFS and staff calculations.
1/ Based on IMF's Financial Soundness Indicators data on residential and commercial real estate loans, and total assets. RE = real estate, RRE = residential real estate, CRE = commercial real estate.

*However, risks from fast credit growth....*

Private Credit Growth

(In percent, year-on-year growth 1/)

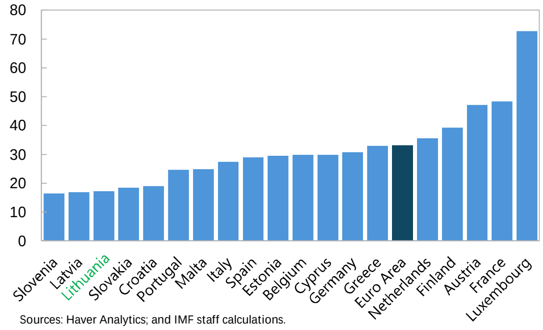


Sources: Haver Analytics; and IMF staff calculations.
1/ Defined as loans of other MFIs to households and non-fincial corporations.

*... are mitigated by low corporate...*

Bank Loans to Non-Financial Corporations

(In percent of GDP, 2025 1/ )

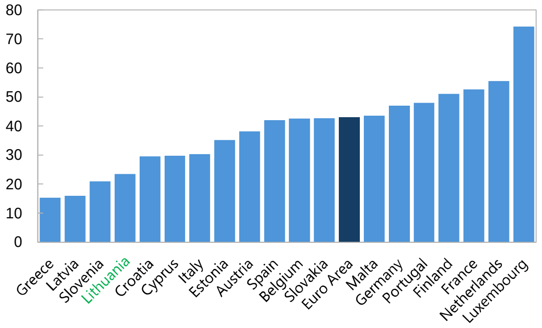


Sources: Haver Analytics; and IMF staff calculations.
1/Aggregated balance sheet of MFIs (excluding the Eurosystem) loans to Euro Area non-financial corporations (NFCs).

*... and household exposures.*

Bank Loans to Households

(In percent of GDP, 2025 1/ )



Sources: Haver Analytics; and IMF staff calculations.
1/Aggregated balance sheet of MFIs (excluding the Eurosystem) loans to Euro Area households.

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[14] The ECB estimate of overvaluation or residential property prices (average valuation measure) for 2025Q4.

26. Macroprudential policy should stand ready to tighten if credit growth and house prices accelerate further. The planned easing of loan-to-value (LTV) limits for first-time buyers may support affordability and align Lithuania with peers, but—only partially offset by tighter debt service-to-income (DSTI) limits for all and stricter LTVs for second and subsequent borrowers—it could nonetheless add to already strong credit and housing dynamics. Combined with robust wage growth, expansionary fiscal policy, and additional liquidity from Pillar II pension withdrawals, demand pressures could increase, raising the risk of further price misalignment and gradually building household vulnerabilities. If risks intensify, a tightening of the macroprudential stance would be warranted, for example through an increase in the CCyB. Expanding housing supply would also help deliver more durable gains in affordability.

Text Table 6. Current and Proposed Macroprudential Measures

| | Previous | In effect August 2026 |
|---|---|---|
| LTV limit | Standard limit: 85%<br>Second and subsequent loan: depends on the current LTV of previous loan(s):<br>● 70% if current LTV of previous loan(s) ≥ 50%<br>● <85% if current LTV of previous loan(s) <50% | First home: 90%<br>Other cases, no outstanding housing loans: 85%<br>Second and subsequent loan: depends on the amortization level of previous loan(s):<br>● 70% if repaid principal of previous loan(s) ≤50%<br>● <85% if repaid principal of previous loan(s) >50% |
| DSTI limit | Actual DSTI: 40%<br>Stressed DSTI: 50% with interest rate floor of 5%<br>Flexibility quota: 5% of amounts issued in current calendar year can have DSTI up to 60% | Stressed DSTI: 50% with interest rate floor of 6%<br>Flexibility quota: 5% of amounts issued in previous calendar year can have DSTI up to 60% |
| Maturity limit | 30 years | 30 years |

Source: Bank of Lithuania.

27. The evolving risk landscape, including cybersecurity, calls for continued proactive supervisory oversight. Cyber risks remain a key concern for financial institutions, requiring higher investment in IT security that could weigh on profitability, underscoring the importance of continued efforts to strengthen cyber resilience and cross-border incident coordination.

28. Lithuania's AML/CFT framework has been strengthened, but the rapidly evolving fintech and virtual assets landscape calls for continued vigilance. Lithuania has continued to strengthen its AML/CFT framework, including through the 2024 National Risk Assessment, the 2025–27 mitigation action plan, and further refinement of risk-based supervisory tools. The BOL has stepped up supervisory engagement with high-risk sectors—particularly Electronic Money Institutions (EMIs)/Payment Institutions (PIs)—while preparing to operationalize supervision of crypto-asset service providers under MiCA. At the same time, global attention to effective mitigation of financial integrity risks in these segments continues to rise. Given the scale, cross-border reach, and fast changing risk profile of these sectors, further efforts—including through ongoing adjustments to supervisory strategies and inspection planning—will be needed to ensure that supervisory approaches remain robust and responsive.

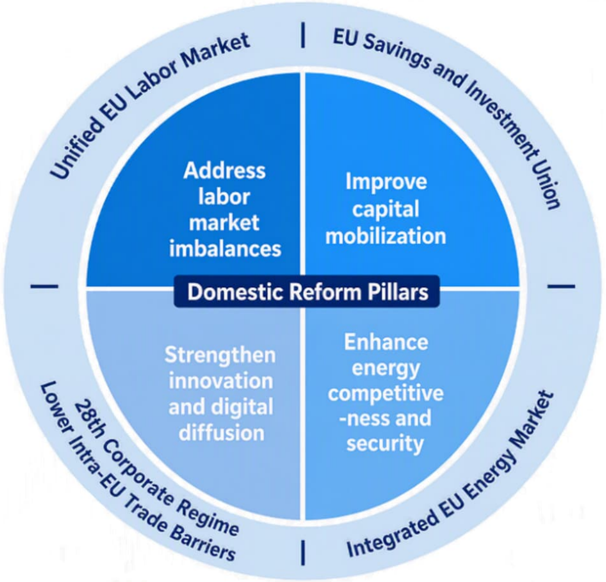
*Authorities' Views*

29. The authorities emphasized that the banking sector remains sound and financial stability risks are contained. Banks remain highly profitable, liquid, and well capitalized, with low NPLs, though some smaller institutions need to strengthen capital further. They consider the current macroprudential stance appropriate and view risks from credit and house price growth as manageable. The Bank of Lithuania expects the changes to the borrower-based macroprudential measures coming into force in August to have limited impact on lending and real estate market activity. The authorities highlighted risks from cyber threats, potential real estate market correction, and heightened geopolitical and macroeconomic uncertainty. They also stressed significant progress in strengthening the AML/CFT framework, including enhanced risk understanding, further refinement of risk-based supervisory tools, and ongoing implementation of MiCA. They noted continued efforts to scale up supervision of higher risk sectors—notably EMIs/PIs and CASPs—and emphasized the need for supervisory capacity to keep pace with the rapid growth and changing risks in fintech and virtual asset sectors.

## C. Structural Policies

30. Structural reforms are needed to shift Lithuania's growth model toward more durable, productivity-driven sources (Text Figure 14). Recent growth has relied on temporary migration inflows, while near-term activity is being bolstered by fiscal expansion, EU funds, and Pillar II pension withdrawals. As these supports fade, medium-term growth will be constrained by structural factors, including population aging, regional disparities, shallow capital markets, uneven innovation capacity, and high energy-import dependency (Text Figure 15). Raising potential growth will require coordinated domestic and EU-level reforms (Annexes V and VI). As a small open economy with shallow domestic markets, Lithuania stands to gain disproportionately from a more integrated EU labor market, deeper capital markets, stronger energy integration, and

Text Figure 14. Structural Reform Priorities 1/



1/ The inner circle represents domestic reforms; the outer circle represents EU-level reforms.
Source: IMF staff.

lower intra-EU trade barriers—through greater scale, diversification, and risk sharing. Lithuania's upcoming EU Council presidency in 2027 offers an opportunity to help advance the latter.[15]

31. **Addressing domestic regional labor market imbalances and productivity gaps is essential to mobilize untapped resources and support long-term growth** (Annex VIII). Persistent skills mismatches—among the highest in the EU—and labor shortages weigh on job matching and productivity. The design of unemployment benefits, which extends eligibility to voluntary quits, together with recent increases in social benefits[16], may have weakened work incentives at the margin. Weak connectivity outside major cities, high home ownership, and a shallow rental market constrain labor mobility and widen regional disparities. Those factors drive the persistently high structural unemployment. Priorities include aligning education, vocational training, and reskilling more closely with labor demand; scaling up active labor market policies with stable financing; refining unemployment benefit eligibility to avoid repeated returns to unemployment; and better targeting social benefits—while ensuring adequacy—to preserve work incentives and create fiscal space (¶18). A more integrated EU labor market, alongside timely and efficient work permit processing for foreign workers and stronger migrant integration, would broaden the pool of available workers, easing labor shortages. Improving connectivity in lagging regions and expanding affordable, higher-quality rental housing—particularly in major cities—would boost mobility and narrow regional productivity gaps.

32. **Greater capital mobilization is needed to raise investment, support SME expansion, and foster innovation.** Financing conditions remain restrictive—particularly for SMEs—amid high borrowing costs, tight collateral requirements, and shallow domestic capital markets, while Pillar II withdrawals will likely further weigh on long-term domestic capital. Policy priorities include broadening non-bank financing, including venture capital and crowdfunding; deepening EU-wide capital market integration to tap into a much larger pool of capital; strengthening financial education; encouraging long-term savings; and using ILTE more effectively to fill financing gaps through guarantees and co-lending while ensuring stronger governance, operational transparency, and sound risk management (Annex IX).

33. **Stronger innovation capacity and wider digital diffusion are critical to lift productivity and support the shift toward higher value-added activities.** Innovation remains constrained by weak business–research links and low R&D expenditure (1.0 percent of GDP in 2024, against 2.3 percent in the euro area[17]). Digital diffusion is also uneven: while firm-level AI adoption has improved recently, gaps in basic digital skills and patchy broadband coverage continue to slow technology uptake, particularly among smaller firms. Policy should therefore strengthen and clarify

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[15] Advancing those initiatives and cutting trade barriers could boost EU GDP by over 3 percent by 2035 (See IMF, 2025, 'Euro Area Policies' for more details).

[16] Universal and supplementary child benefits have been increased substantially in recent years. Also, the reform effective from July 2026 shortens the qualifying period for the unemployment benefits, reduces their fixed component and increases their variable component and ceiling — resulting in higher payouts for average and above-average earners but somewhat lower benefits for minimum-wage workers. .

[17] Source: Eurostat.

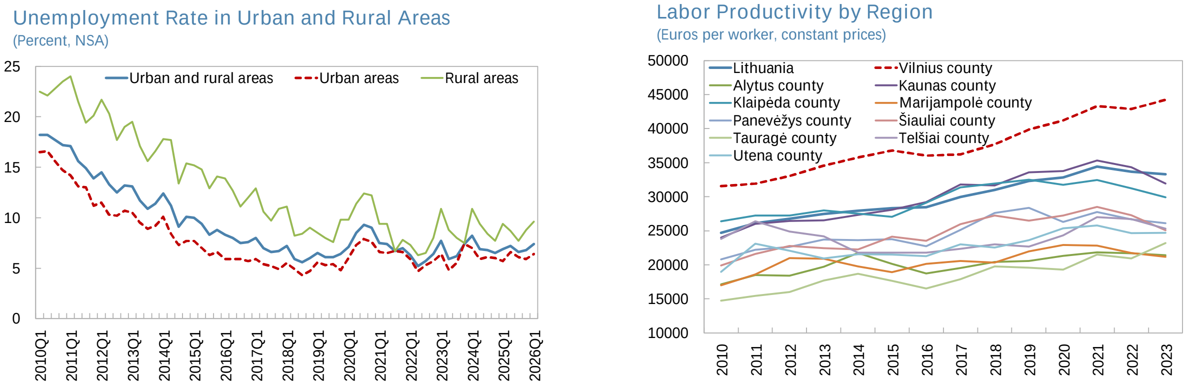
R&D incentives, expand support for innovative SMEs, and foster business–research collaboration. In parallel, broaden high-speed broadband coverage, upgrading digital skills, and further digitalizing government services would accelerate diffusion and reduce administrative burdens. Stronger EU-level cross-border research collaboration and business operations, and lower intra-EU trade barriers would boost private investment and innovation, helping offset the demand effects of the needed fiscal consolidation.

34. Enhancing energy price competitiveness and energy security is key to reducing vulnerability to external shocks and strengthening competitiveness. Despite recent progress in renewable energy capacity, Lithuania remains exposed to energy price volatility due to significant reliance on imported energy, and its transport sector remains reliant on fossil fuels (only 8.1 percent of its railway system was electrified in 2024, and electric vehicles accounted for just 0.9 percent of passenger cars). Reducing this dependence will require continued expansion of renewable capacity—especially wind—alongside faster fossil-fuel phaseout, stronger electricity storage and grid infrastructure, further investment in low-emission transport, including rail electrification, and stimulating the electric vehicle uptake. Deeper EU energy integration would strengthen cross-border interconnections, facilitating renewable energy trade, and reducing exposure to external price shocks.

## Text Figure 15. Regional Disparities, Technology Adoption, and Energy Import Dependence

*Regional disparities in Lithuania are reflected by higher unemployment rate in rural areas…*

*… and lower labor productivity in lagging regions…*



Unemployment Rate in Urban and Rural Areas

(Percent, NSA)

Source: State Data Agency of Lithuania.

Labor Productivity by Region

(Euros per worker, constant prices)

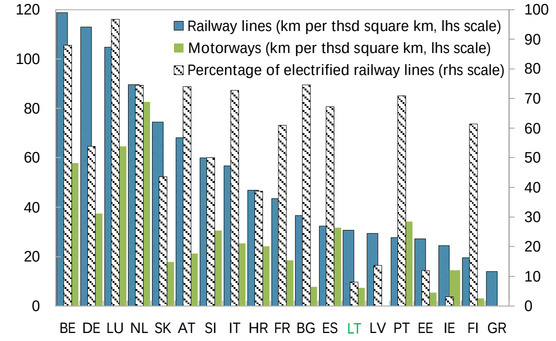
Source: OECD

## Text Figure 15. Regional Disparities, Technology Adoption, and Energy Import Dependence (Concluded)

*...partly due to insufficient transportation infrastructure.*

Transport Infrastructure Development, 2024

(Lhs: km per thsd square km; rhs: percentage of electrified railway lines)

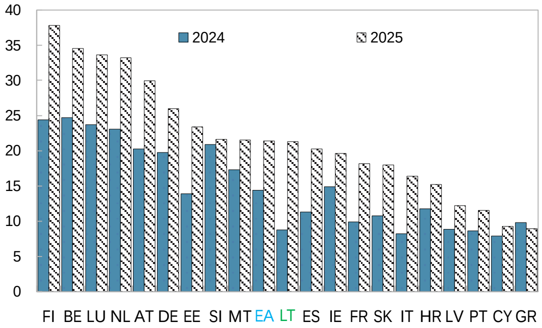


Source: Eurostat

*While Lithuanian companies increased in terms of AI technology usage...*

Companies Using At Least One AI Technology

(Percentage of companies with 10 employees or more)

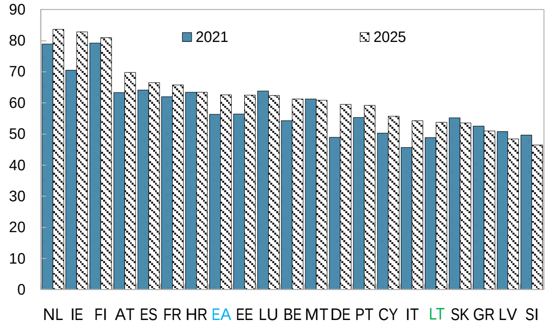


Source: Eurostat

*...the population lags behind in terms of basic digital skills, limiting potential productivity gains from digitalization.*

Individuals with Basic or Above Basic Overall Digital Skills

(Percentage of total population)

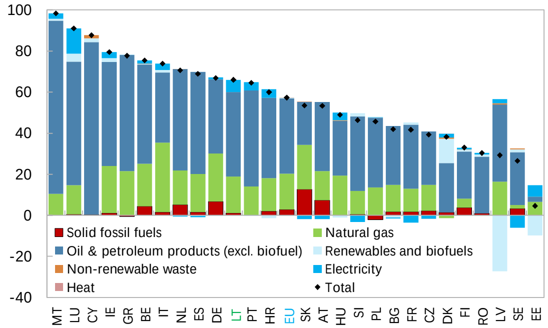


Source: Eurostat

*Meanwhile, energy imports dependency remains high, exposing the economy to external shocks.*

Energy Imports Dependency, 2024

(Percentage of net imports in gross available energy 1/)



1/ gross available energy = production + imports - exports

Sources: Eurostat

## *Authorities' Views*

35. The authorities broadly agreed with staff's assessment of Lithuania's structural challenges. They emphasized that skills mismatches and limited domestic regional mobility keep unemployment high. Ongoing reforms aim to better align education with labor market needs—including performance-based funding, expanded vocational training, and stronger university–industry links—but results are expected to materialize gradually. They also noted that the July changes to unemployment insurance benefit are expected to strengthen work incentives. On energy, they highlighted reduced import dependence and strong progress in renewables, storage and grid investment. They also underscored persistent SME financing constraints, viewing the scaling up of ILTE as key to easing them. They highlighted the importance of EU integration for capital market deepening, while promoting Baltic regional integration in the interim. They also acknowledged that

R&D investment remains low and agreed on the need for more stable and permanent funding sources to support innovation.

## STAFF APPRAISAL

36. Lithuania's near-term outlook remains steady as expansionary policies offset the adverse energy price shock while adding to inflation; risks are tilted to the downside. Growth is projected to remain broadly stable at 2.8 percent in 2026, as fiscal expansion, Pillar II withdrawals, EU-funded investment, and strong wage growth sustain demand and cushion the impact of the energy shock. Inflation is expected to rise further on energy and tax effects and robust demand, before easing over the medium term. Risks are tilted toward weaker growth and higher inflation, reflecting geopolitical uncertainty, energy price volatility, and the potential for stronger-than-expected domestic demand. Over the medium term, delayed reforms and rising spending pressures could weigh on fiscal sustainability and convergence.

37. A medium-term fiscal strategy is needed to offset rising spending pressures with durable revenue measures and targeted expenditure reforms to anchor debt at prudent levels. Without action, government debt is projected to rise rapidly to 60 percent of GDP by 2033. A tighter fiscal stance is warranted already in 2026—saving revenue overperformance and limiting energy support to targeted, temporary measures—to help contain inflation while preserving fiscal buffers and price signals. Given low tax revenues relative to peers and limited room to cut core services, consolidation should rely mainly on permanent revenue measures—through broadening and increasing property taxation, enhancing personal income tax progressivity, reducing inefficient exemptions, and improving VAT compliance—complemented by spending reprioritization and efficiency gains, including containing public wage bill growth, better targeting social benefits, and improving efficiency in health and education. A more predictable policy course would help enhance its effectiveness and credibility. Strengthening the fiscal council's independence and mandate would further support fiscal discipline.

38. The weakening of Pillar II has increased the need to reinforce pension sustainability and adequacy. Recent changes will lower replacement rates and raise future fiscal costs, making it essential to preserve existing Pillar I buffers and safeguard the overall pension system against mounting demographic pressures. The near-term focus should be on ensuring stability and predictability of Pillar II pensions, including by maintaining state contributions to preserve participation incentives. Ultimately, a comprehensive assessment of the pension framework is needed to reinforce Pillar II and better align it with European best practices.

39. Increasing financial momentum and rising cyclical risks call for macroprudential policy to stay vigilant and ready to act if vulnerabilities build up further. Credit to firms and households has accelerated, supporting buoyant housing activity and contributing to a moderate but widening house price misalignment, while vulnerabilities persist in commercial real estate. Systemic risks remain contained on the back of strong bank fundamentals, but changes to the borrower-based measures planned in August 2026 could add to already strong credit and house

price dynamics, particularly amid robust wage growth and additional liquidity from Pillar II withdrawals—warranting readiness to tighten if risks intensify. At the same time, evolving risks—particularly cyber and financial integrity risks linked to fintech and virtual assets—call for continued supervisory vigilance and enhance AML/CFT oversight.

40. The external position is broadly in line with the level implied by fundamentals and desirable policies. The current account weakened in 2025 but remained in surplus and close to its norm. It is expected to turn modestly negative in the coming years before recovering. Fiscal consolidation to safeguard sustainability, alongside structural reforms to support productivity and attract investment, will help sustain external balance over the medium-term.

41. To sustain growth momentum , growth should transition away from demand stimulus toward more durable drivers, notably productivity gains and investment. A temporary surge in net migration has supported recent growth while Pillar II withdrawals and fiscal expansion are expected to sustain momentum in the near term. Yet, the capital stock is low, and the unemployment rate remains persistently high with large regional variations, underscoring long-standing structural challenges. Population aging, skills mismatches and shortages, and regional labor-market and productivity disparities continue to weigh on potential growth and the efficient allocation of resources.

42. Addressing structural labor constraints requires reforms to strengthen skills, improve work incentives, and ease mobility. Priorities include closer alignment of education and training with labor market needs, scaling-up reskilling and active labor market policies, and strengthening vocational training. Social benefits should be better targeted to preserve work incentives. Streamlining entry procedures and integration support for foreign workers, together with easing mobility frictions through better connectivity and an expanded supply of quality, affordable housing, would support employment and productivity.

43. Raising investment and productivity needs deeper domestic and EU capital markets to ease firms' financing constraints. Priorities include broadening non-bank financing through stronger investor participation and alternative instruments. Baltic capital market harmonization efforts should be complemented by further progress toward the EU single market. ILTE can help fill remaining gaps, but stronger governance and oversight are needed to ensure sound risk management and avoid crowding out private finance.

44. Strengthening productivity and competitiveness demands faster digital adoption and reduced energy dependence. Wider AI uptake and greater access to R&D support would lift firm performance. Despite progress in renewables, reliance on energy imports remains high; further investment in renewables, storage and grids, complemented by the shift to low-emission transport—including rail-electrification and faster EV uptake—would reduce vulnerabilities and support competitiveness.

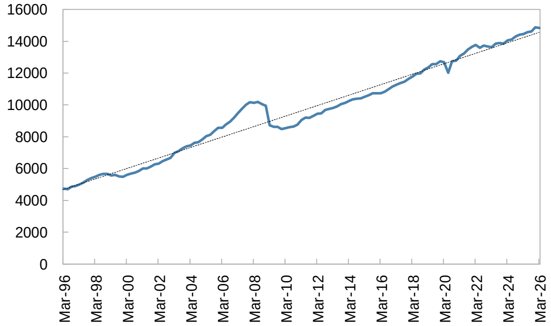
45. The next Article IV consultation with Lithuania is expected to be conducted on the standard 12-month cycle.

## Figure 1. Lithuania: Real Sector

*The economy has restored solid growth path since 2024…*

### Real GDP

(EUR millions, chain-linked (2020))

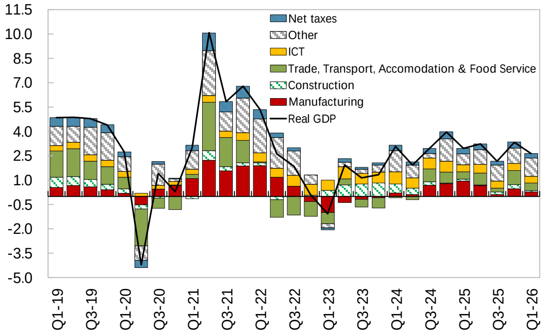


Sources: Eurostat and IMF staff calculations.

*…with a broad-based recovery across sectors.*

### Real GDP Growth

(Year-on-year percent change; contributions in percentage points)

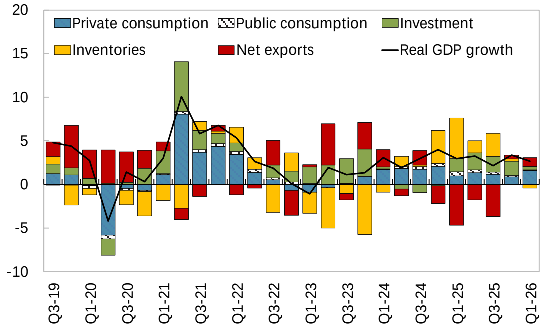


Sources: Eurostat; Haver Analytics; and IMF staff calculations.

*Private consumption supported the recovery on the back of real income gains.*

### Real GDP

(Year-on-year percent change; contributions in percentage points)

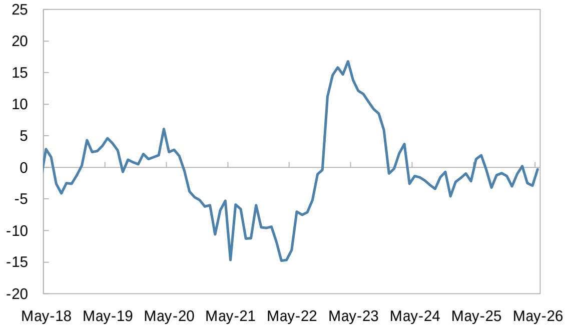


Sources: Haver Analytics; Eurostat; and IMF staff calculations.

*The inventory cycle has normalized.*

### Manufacturing: Stocks of Finished Products

(Percent balance)

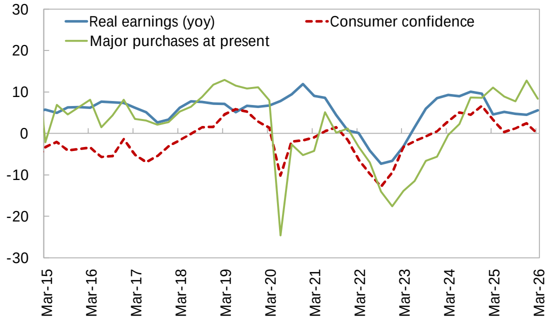


Sources: European Commission; Haver Analytics; and IMF staff calculations.

*Consumer confidence is optimistic …*

### Private Consumption Indicators

(Balance response; year-on-year percent change)

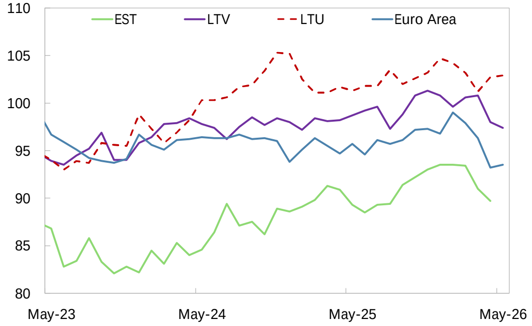


Sources: Directorate-General for Economic and Financial Affairs; Haver Analytics; and IMF staff calculations.

*…as well as the economic sentiment.*

### Economic Sentiment

(Historical Average=100)



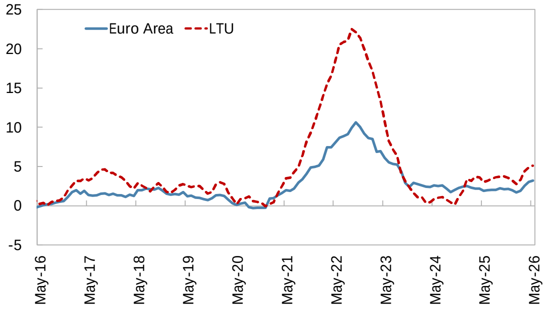
Sources: European Commission; and Haver Analytics.

## Figure 2. Lithuania: Inflation

*Inflation picked up in early 2026 …*

### Headline Inflation

(Year-on-year percent change)

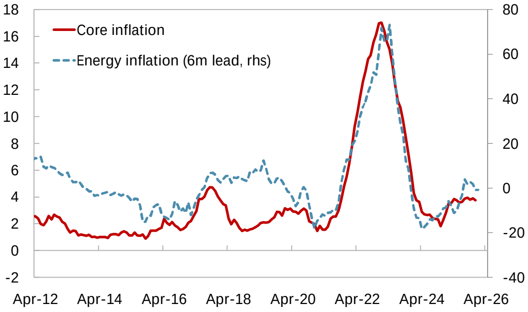


Sources: European Office of Statistical Communities; Haver Analytics; and IMF staff calculations.

*…driven by energy prices.*

### Inflation: Pass-Through from Energy to Core

(Year-on-year percent change)

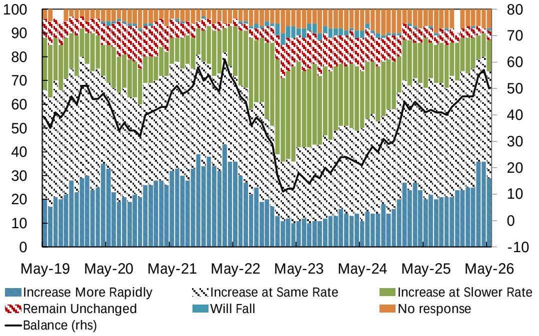


Sources: State Data Agency of Lithuania; Haver Analytics; and IMF staff calculations.

*Inflation expectations have risen, reflecting tax hikes and the energy shock.*

### Inflation Expectations

(Percent)

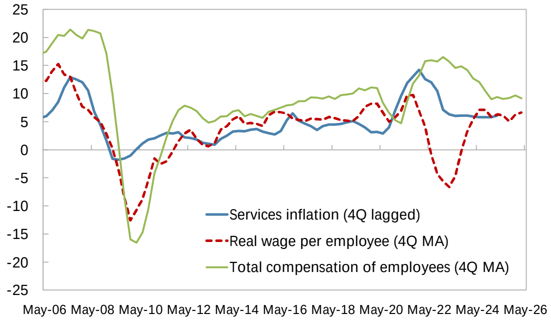


Sources: Eurostat; Haver Analytics; and IMF staff calculations.

*Services inflation remains elevated…*

### Services Inflation and Real Wages

(Year-on-year percent change)

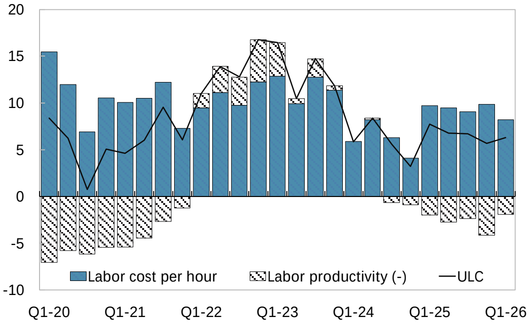


Sources: Haver Analytics; State Data Agency of Lithuania; and IMF staff calculations.

*…supported by strong wage growth …*

### Unit Labor Cost

(Year-on-year percent change; labor measured as hours worked)

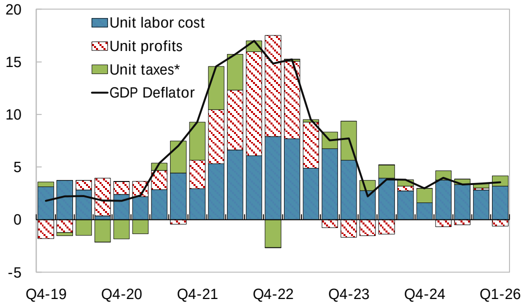


Sources: Eurostat; Haver Analytics; and IMF staff calculations.

*…which is also the main driver of domestic inflation.*

### GDP Deflator

(Year-on-year percent change; contributions in percentage points)



Sources: Eurostat; Haver Analytics; and IMF staff calculations.
(*) Indirect taxes net of subsidies

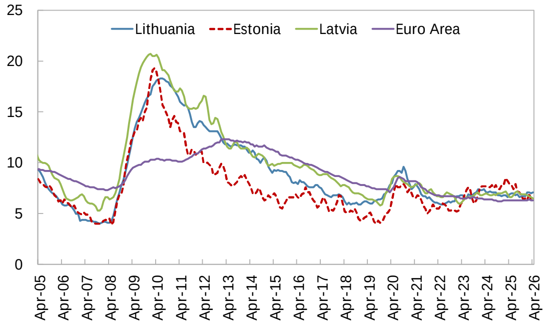
## Figure 3. Lithuania: Labor Market Developments

*Strong economic activity has kept unemployment low, relative to historical outcomes…*

*…but employment growth is slowing.*

### Unemployment Rate

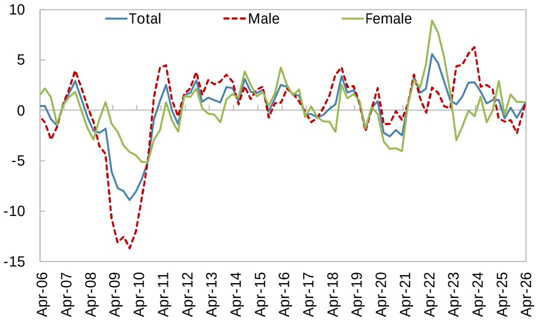
(Percent, NSA)



Sources: Eurostat; and Haver Analytics.

### Employment Growth

(Year-on-year percent change)



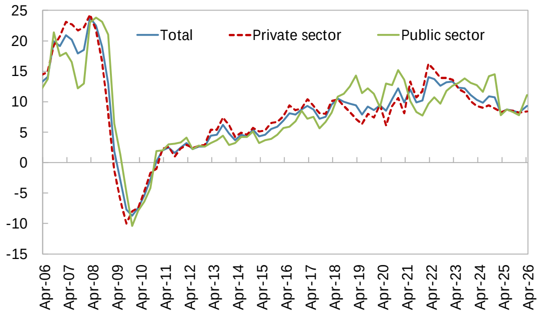
Sources: Eurostat; and Haver Analytics.

*Wage growth remained strong…*

*… both in private and public sectors.*

### Nominal Wage Growth

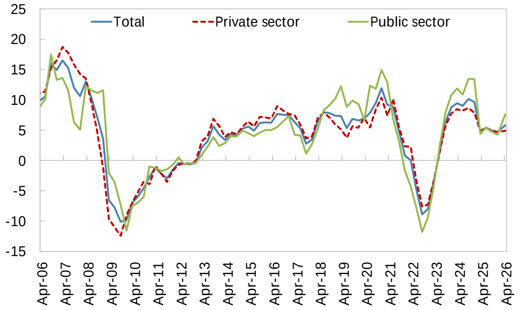
(Year-on-year percent change)



Sources: State Data Agency of Lithuania; Eurostat; and IMF staff calculations.

### Real Wage Growth

(Year-on-year percent change)



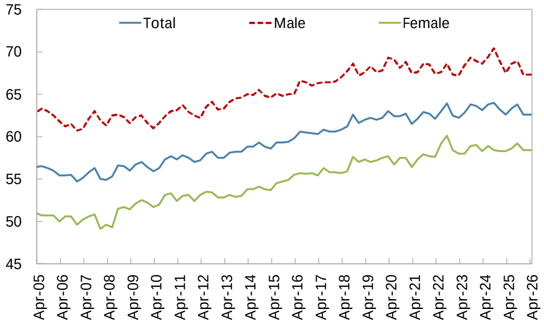
Sources: State Data Agency of Lithuania; Eurostat; and IMF staff calculations.

*Participation rate is at historical highs…*

*…and migration has narrowed.*

### Labor Force Participation Rate

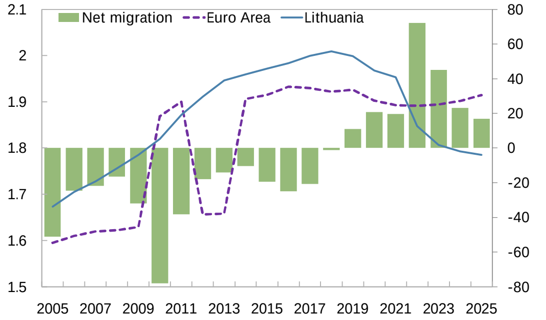
(Percent of working-age population)



Sources: Eurostat; and IMF staff calculations.

### Old Age Dependency Ratio

(LHS: Old age to working age population; RHS: thousands of persons)



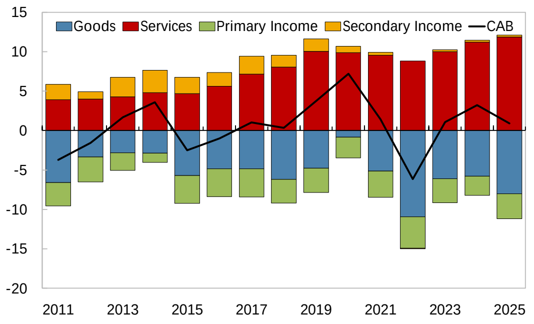
Sources: State Data Agency of Lithuania; Haver Analytics; and IMF staff calculations.

# Figure 4. Lithuania: External Sector Developments

*The current account surplus decreased in 2025 due to lower primary income and goods balance…*

Current Account Balance

(Percent of GDP)

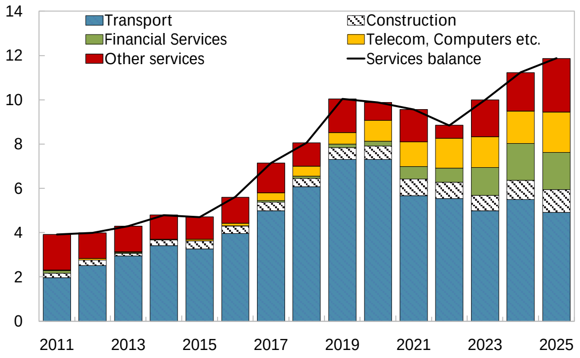


Sources: Haver Analytics; Bank of Lithuania; and IMF staff calculations.

*…while the services balance continued to increase.*

Services Balance

(Percent of GDP)

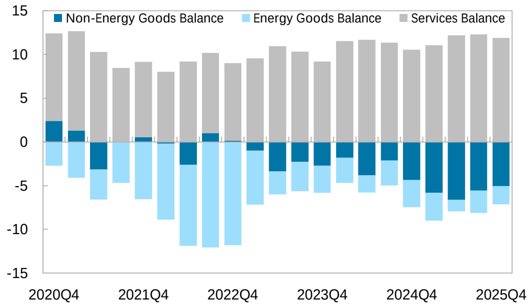


Sources: Haver Analytics; Bank of Lithuania; and IMF staff calculations.

*The non-energy goods trade balance deteriorated…*

Trade Balance: Energy, Non-Energy, and Services

(Percent of GDP)

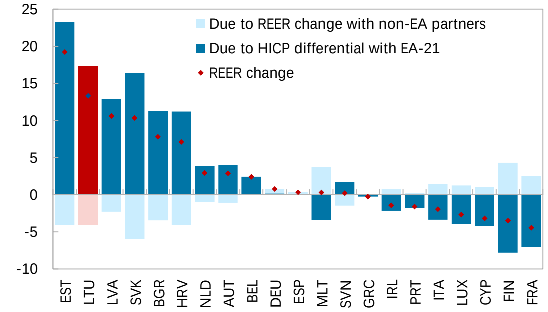


Sources: Eurostat; Bank of Lithuania; and IMF staff calculations.
Note: Energy captures trade in mineral oils, fuels and waxes.

*…as REER appreciated, due to higher inflation.*

Change in HICP-based REER

(Percent change, 2026Q1 vs. 2021Q1)

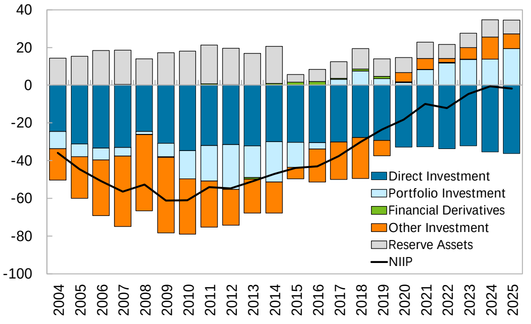


Sources: European Commission; IMF, World Economic Outlook; and IMF staff calculations.

*The NIIP remained slightly negative, with higher portfolio investments offsetting lower other investments.*

Net International Investment Position

(Percent of GDP)

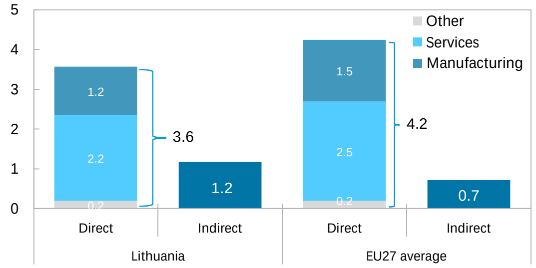


Sources: Bank of Lithuania; Haver Analytics; and IMF staff calculations.

*Lithuanian exports face higher exposure to the U.S. than EU average, particularly when accounting for indirect exposures.*

Exposure of Domestic Value Added (DVA) Exports to Trade with U.S.

(Percent of total value added, 2022)

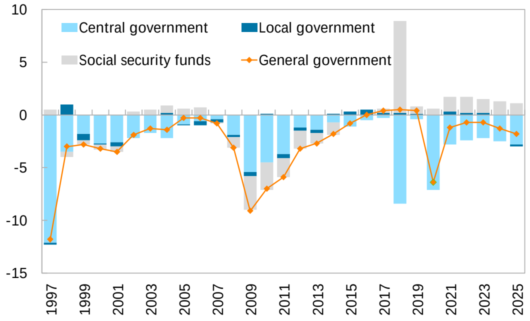


Sources: OECD TiVA 2025 Edition; Eurostat; and IMF staff calculations.
Note: The direct exposure is computed as the product of (i) the share of DVA exports to the US in total DVA exports, and (ii) the share of total DVA exports in total value added. The indirect exposure is computed as (i) the share of EU27's DVA exports to the US in total EU27's DVA exports, (ii) the share of the country's total DVA exports to the EU27 total DVA exports, and (iii) the share of total DVA exports in total value added.

## Figure 5. Lithuania: Fiscal Developments

*The deficit rose in 2025, largely driven by higher central government borrowing.*

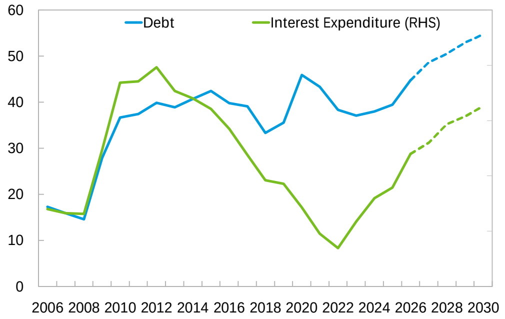
General Government Net Lending/Borrowing
(Percent of GDP)



Source: State Data Agency of Lithuania.

*Interest expenditure is expected to rise over time putting pressure on the debt level…*

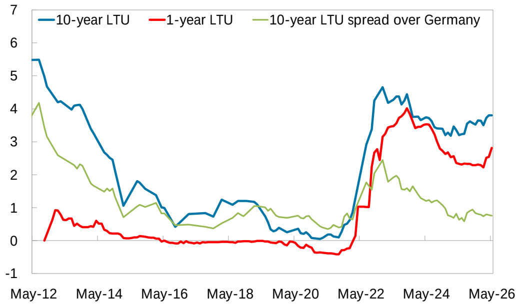
Debt and Interest Expenditure
(Percent of GDP)



Sources: Ministry of Finance; and IMF staff calculations.

*….as bond yields have recently reversed some of their prior declines.*

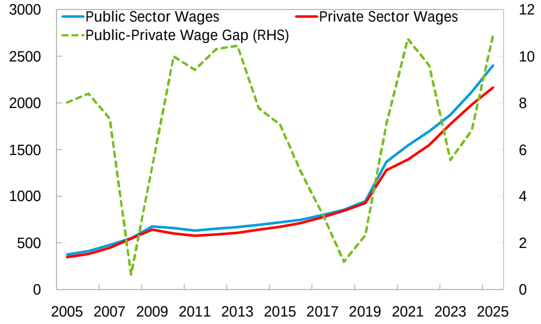
1-Year and 10-Year Bond Yields
(Percent)



Sources: London Stock Exchange Group; Haver Analytics; and Bloomberg L.P.

*Public sector wages are higher than private wages, and the gap has risen recently.*

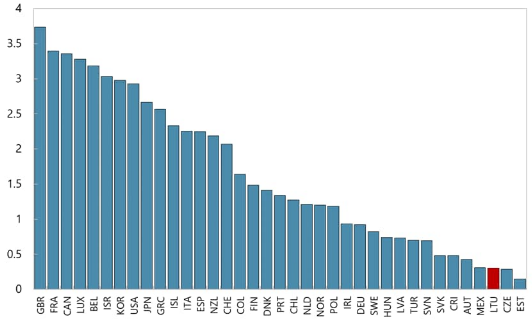
Public-Private Sector Wage Gap
(LHS - Euros; RHS - Percent)



Sources: State Data Agency of Lithuania; Haver Analytics; and IMF staff calculations.

*Property tax revenue is low in international comparison…*

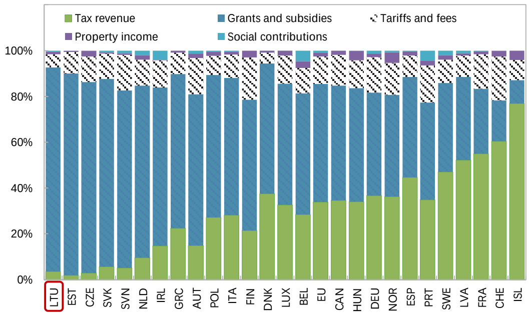
**Taxes on Property, 2024**
(Percent of GDP)



Source: OECD Revenue Statistics.

*…and local governments rely heavily on transfers from the central government, disincentivizing raising property tax rates.*

Local Government Revenue by Category
(Percent of total local government revenue)



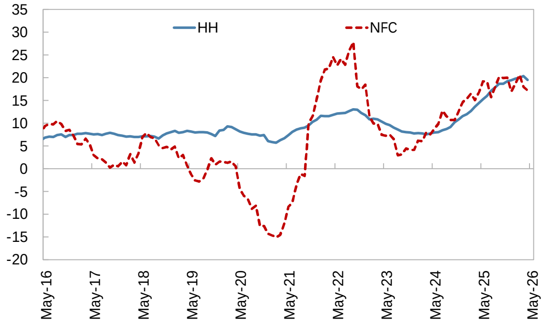
Source: OECD. Notes: 2023 data. Grants to Lithuanian municipalities include personal income tax revenues allocated to municipalities by the budget law.

## Figure 6. Lithuania: Banking Sector Developments

*Credit growth expanded quickly in 2025 and early 2026...*

Credit to Households and Non-Financial Corporations

(Year-on-year percent change)

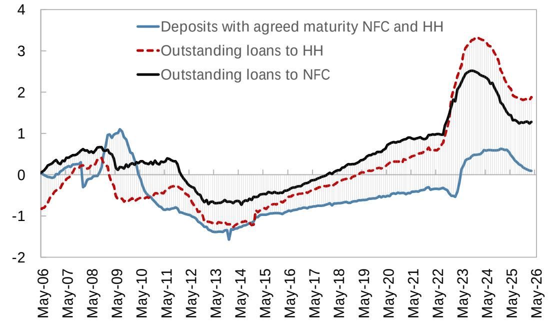


Sources: Bank of Lithuania; Haver Analytics; and IMF staff calculations.

*...and lending rates moderated.*

Interest Rates on Loans and Deposits

(Percentage point differential with the Euro Area)

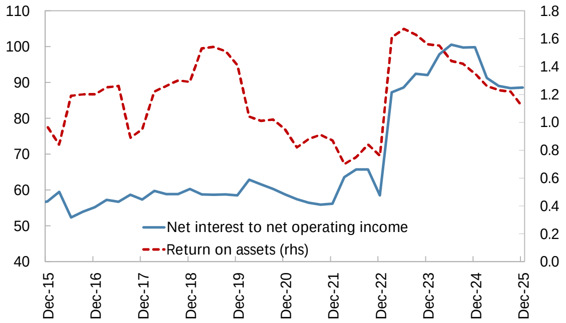


Sources: European Central Bank; Haver Analytics; and IMF staff calculations.

*The profitability of the banking sector in Lithuania remained high in 2025...*

Banking Sector Profitability

(Percent, NSA)

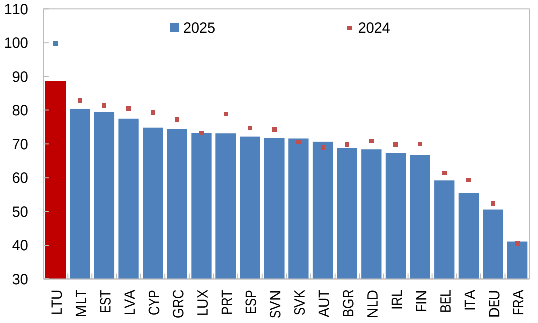


Sources: European Banking Authority; Haver Analytics; and IMF staff calculations.

*...benefitting from a strong net interest income ratio...*

Net Interest Income to Net Operating Income

(Percent)

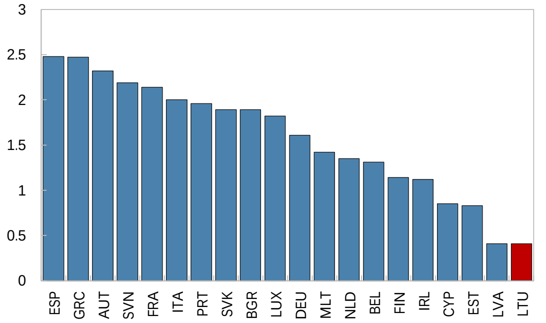


Sources: European Banking Authority; Haver Analytics; and IMF staff calculations.

*...one of the lowest NPL ratios...*

Non Performing Loans, 2025Q4

(Percent, EOP)

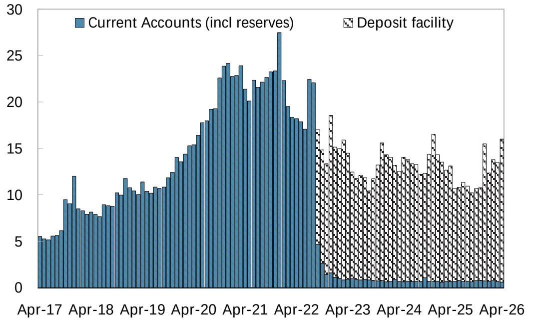


Sources: European Banking Authority; Haver Analytics; and IMF staff calculations.

*...and large amounts at the CB deposit facility.*

Financial Sector Liquidity Holdings at the Central Bank

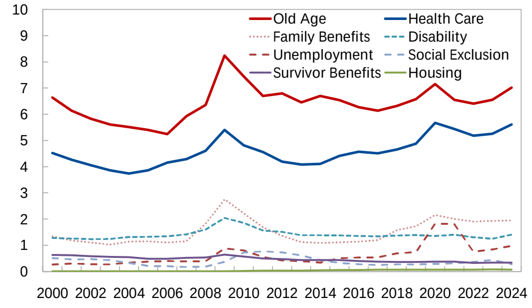
(Percent of GDP)



Sources: Haver Analytics; Bank of Lithuania; and IMF staff calculations.

## Figure 7. Lithuania: Social Protection Benefits

*Expenditure on social protection has been on an increasing trend since the mid-2010s…*

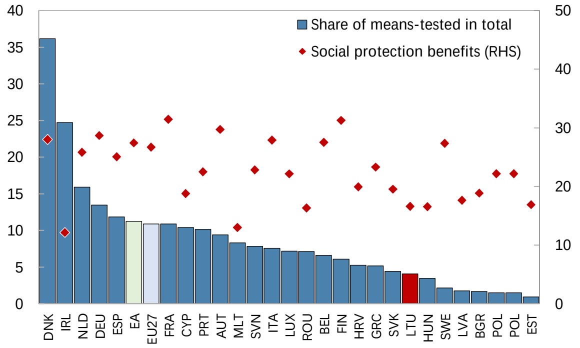


Social Protection Expenditure

(Percent of GDP)

Sources: State Data Agency of Lithuania; and European System of Integrated Social Protection Statistics.

*…with significant scope for increasing the share of means-tested benefits.*

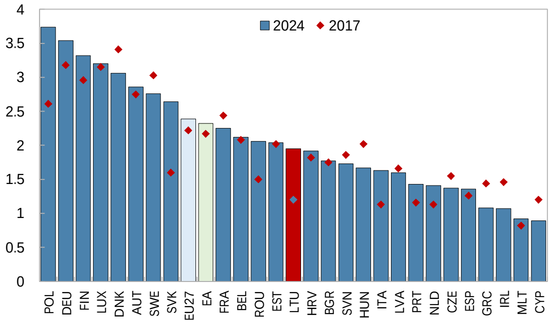


Share of Means-Tested Social Protection Benefits, 2023

(Lhs: percent of total; Rhs: percent of GDP)

Sources: Eurostat; and IMF staff calculations.

*Expenditure on family benefits has risen strongly over the last years.*

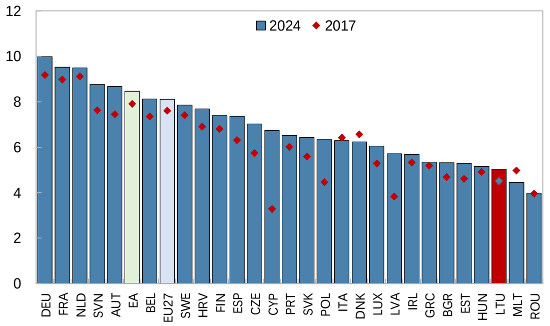


Expenditure on Family/Children Benefits

(Percent of GDP)

Source: Eurostat.

*Expenditure on health care is relatively low compared to European peers.*

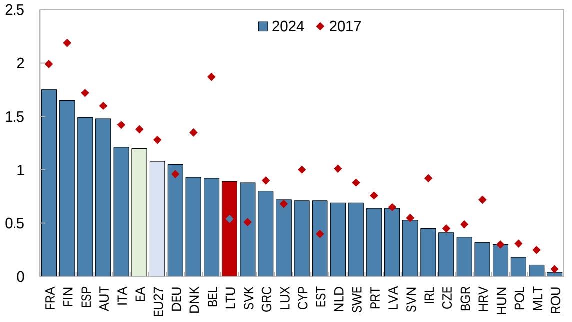


Expenditure on Healthcare/Sickness Benefits

(Percent of GDP)

Source: Eurostat.

*Expenditure on unemployment benefits has risen strongly over the last years…*

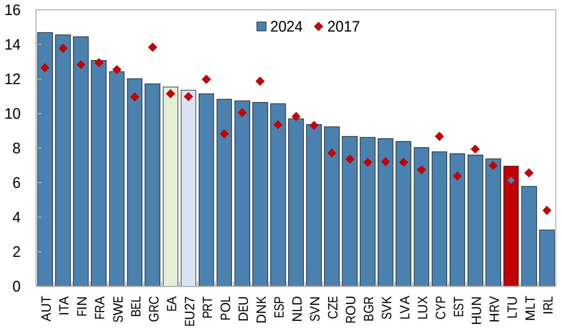


Expenditure on Unemployment Benefits

(Percent of GDP)

Source: Eurostat.

*…while expenditure on old age benefits has only increased slightly and remains well below European peers.*



Expenditure on Old Age Benefits

(Percent of GDP)

Source: Eurostat.

## Table 1. Lithuania: Selected Economic Indicators, 2023–31

(Units as indicated)

Life expectancy at birth (2024): 82 years (women), 73 years (men)
Quota (current, % of total): SDR 441.6 million, 0.09 percent
Main products and exports: Mineral products, machinery/electrical equipment, chemicals, foodstuffs, transport vehicles, wood products

Per capita GDP (2025): € 29,100
Literacy rate (2015): 99.8%
At-risk-of-poverty (after transfers), share of population (2025): 21.5%

| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Projections | | | | | |
| **Output** | | | | | | | | | |
| Real GDP growth (annual percentage change) | 0.8 | 3.0 | 2.9 | 2.8 | 2.2 | 2.6 | 2.5 | 2.4 | 2.4 |
| Domestic demand (contribution to growth) | -0.7 | 2.7 | 5.7 | 4.3 | 0.8 | 2.9 | 2.5 | 2.4 | 2.4 |
| Domestic demand growth (year-on-year, in percent) | -0.9 | 3.0 | 5.9 | 4.5 | 1.0 | 3.0 | 1.6 | 2.4 | 2.4 |
| Private consumption growth (year-on-year, in percent) | -0.1 | 3.3 | 2.0 | 3.9 | -1.2 | 3.1 | 1.2 | 2.0 | 2.0 |
| Domestic fixed investment growth (year-on-year, in percent) | 11.3 | -1.5 | 7.9 | 6.7 | 6.1 | 4.5 | 3.6 | 4.6 | 4.4 |
| Inventories (contribution to growth) | -3.4 | 1.2 | 2.3 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net external demand (contribution to growth) | 1.5 | 0.3 | -2.8 | -1.5 | 1.4 | -0.3 | 0.0 | 0.0 | 0.0 |
| Export growth (year-on-year, in percent) | -3.3 | 2.6 | 5.3 | 2.6 | 3.2 | 3.0 | 3.0 | 2.9 | 3.0 |
| Import growth (year-on-year, in percent) | -5.3 | 2.4 | 9.3 | 4.6 | 1.6 | 3.5 | 2.0 | 3.0 | 3.0 |
| Nominal GDP (in billions of euro) | 74.3 | 79.0 | 84.3 | 89.7 | 94.1 | 99.6 | 104.3 | 109.4 | 114.8 |
| Potential GDP growth | 2.6 | 2.5 | 2.6 | 2.6 | 2.6 | 2.6 | 2.5 | 2.4 | 2.4 |
| Output gap (percent of potential GDP) | -0.4 | 0.1 | 0.4 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Employment** | | | | | | | | | |
| Employment (annual percentage change) | 1.4 | 1.6 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 |
| Unemployment rate (year average, in percent of labor force) | 6.9 | 7.1 | 6.9 | 6.8 | 6.6 | 6.4 | 6.2 | 6.0 | 5.9 |
| Average monthly gross earnings (annual percentage change) 1/ | 12.2 | 10.4 | 8.4 | 8.8 | 6.7 | 5.6 | 5.2 | 5.1 | 5.0 |
| Average monthly gross earnings, real (annual percentage change) | 3.5 | 9.6 | 4.9 | 3.6 | 3.6 | 2.9 | 2.7 | 2.6 | 2.5 |
| Labor productivity (annual percentage change) | -0.6 | 1.4 | 3.0 | 2.8 | 2.7 | 2.6 | 2.6 | 2.5 | 2.5 |
| **Prices** | | | | | | | | | |
| HICP, period average (annual percentage change) | 8.7 | 0.9 | 3.4 | 5.2 | 3.1 | 2.7 | 2.5 | 2.5 | 2.5 |
| HICP core, period average (annual percentage change) 3/ | 10.7 | 2.7 | 3.7 | 3.7 | 3.2 | 2.4 | 2.4 | 2.4 | 2.4 |
| HICP, end of period (year-on-year percentage change) | 1.6 | 1.9 | 2.5 | 6.3 | 2.3 | 2.9 | 2.5 | 2.5 | 2.5 |
| GDP deflator (year-on-year percentage change) | 9.9 | 3.2 | 3.6 | 3.6 | 2.7 | 3.2 | 2.2 | 2.3 | 2.5 |
| **General Government Finances** | | | | | | | | | |
| Revenue (percent of GDP) | 36.5 | 38.1 | 39.4 | 40.4 | 40.6 | 40.3 | 40.3 | 40.3 | 40.2 |
| *Of which EU grants* | 0.7 | 0.7 | 0.8 | 0.9 | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 |
| Expenditure (percent of GDP) | 37.2 | 39.4 | 41.2 | 42.7 | 43.4 | 43.7 | 44.0 | 44.3 | 44.5 |
| *Of which:* Non-interest | 36.6 | 38.6 | 40.3 | 41.5 | 42.1 | 42.2 | 42.5 | 42.6 | 42.8 |
| Interest | 0.6 | 0.8 | 0.9 | 1.2 | 1.3 | 1.5 | 1.5 | 1.7 | 1.7 |
| Fiscal balance (percent of GDP) | -0.7 | -1.3 | -1.8 | -2.3 | -2.8 | -3.4 | -3.8 | -4.0 | -4.3 |
| Fiscal balance excl. one-offs (percent of GDP) | -0.7 | -1.3 | -1.8 | -2.3 | -2.8 | -3.4 | -3.8 | -4.0 | -4.3 |
| Structural fiscal balance (percent of potential GDP) 2/ | -0.4 | -1.3 | -2.0 | -2.5 | -2.8 | -3.4 | -3.8 | -4.0 | -4.3 |
| Primary Balance (percent of GDP) | -0.4 | -1.0 | -1.5 | -1.7 | -2.1 | -2.5 | -2.9 | -3.0 | -3.2 |
| Cyclically Adjusted Primary Balance (percent of potential GDP) | -0.3 | -1.0 | -1.6 | -1.9 | -2.1 | -2.5 | -2.8 | -2.9 | -3.2 |
| General government gross debt (percent of GDP) | 37.1 | 38.0 | 39.5 | 44.9 | 48.9 | 50.9 | 53.9 | 55.7 | 57.4 |
| *Of which:* Foreign currency-denominated | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Balance of Payments (in percent of GDP, unless otherwise specified)** | | | | | | | | | |
| Current account balance | 1.1 | 3.2 | 0.9 | -1.1 | -0.5 | 0.1 | 0.6 | 0.9 | 1.0 |
| Current account balance (billions of euros) | 0.8 | 2.5 | 0.8 | -1.0 | -0.5 | 0.1 | 0.6 | 1.0 | 1.2 |
| **Saving-Investment Balance (in percent of GDP)** | | | | | | | | | |
| Gross national saving | 23.8 | 23.8 | 23.2 | 22.1 | 23.5 | 24.1 | 25.0 | 25.7 | 26.2 |
| Gross national investment | 22.7 | 20.6 | 22.3 | 23.3 | 24.1 | 24.0 | 24.4 | 24.8 | 25.2 |
| Foreign net savings | -1.1 | -3.2 | -0.9 | 1.1 | 0.5 | -0.1 | -0.6 | -0.9 | -1.0 |

Sources: Lithuanian authorities; World Bank; Eurostat; and IMF staff estimates and projections.

Note: Data are presented on ESA2010, and BPM6 manuals basis.

1/ 2019 adjusted for tax reforms.

2/ Calculation takes into account standard cyclical adjustments as well as absorption gap.

3/ Excluding unprocessed food and energy.

## Table 2. Lithuania: General Government Operations, 2023–31

## (ESA 2010 aggregates, in percent of GDP)

| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Projections | | | | | |
| Statement of Operations | | | | | | | | | |
| Revenue | 36.5 | 38.1 | 39.4 | 40.4 | 40.6 | 40.3 | 40.3 | 40.3 | 40.2 |
| Revenue excluding EU grants | 35.5 | 36.9 | 38.1 | 38.5 | 39.3 | 39.0 | 39.1 | 39.1 | 39.0 |
| Tax revenue | 21.7 | 22.2 | 22.6 | 23.3 | 23.5 | 23.6 | 23.7 | 23.7 | 23.6 |
| Direct taxes | 10.4 | 10.6 | 10.7 | 11.2 | 11.5 | 11.5 | 11.5 | 11.5 | 11.5 |
| Personal income tax | 7.7 | 8.0 | 8.4 | 8.7 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 |
| Corporate income tax | 2.3 | 2.3 | 2.1 | 2.2 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 |
| Other | 0.4 | 0.4 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Indirect taxes | 11.2 | 11.6 | 11.9 | 12.2 | 12.1 | 12.1 | 12.2 | 12.1 | 12.1 |
| VAT | 8.0 | 8.1 | 8.4 | 8.7 | 8.6 | 8.5 | 8.5 | 8.5 | 8.4 |
| Excises | 2.3 | 2.4 | 2.5 | 2.6 | 2.6 | 2.8 | 2.8 | 2.8 | 2.8 |
| Other | 0.9 | 1.0 | 1.0 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| Social contributions | 10.5 | 11.0 | 11.4 | 11.5 | 11.7 | 11.6 | 11.7 | 11.8 | 11.8 |
| Other capital transfers | 0.7 | 0.7 | 0.8 | 0.9 | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 |
| Other revenue | 3.7 | 4.2 | 4.7 | 4.7 | 4.6 | 4.3 | 4.2 | 4.2 | 4.1 |
| EU grants | 1.0 | 1.3 | 1.3 | 1.9 | 1.3 | 1.3 | 1.2 | 1.2 | 1.2 |
| Total Expenditure | 37.2 | 39.4 | 41.2 | 42.7 | 43.4 | 43.7 | 44.0 | 44.3 | 44.5 |
| Current spending | 33.0 | 35.0 | 36.9 | 37.8 | 38.5 | 38.8 | 38.8 | 38.8 | 38.7 |
| Compensation of employees | 10.5 | 11.6 | 12.1 | 12.2 | 12.1 | 12.0 | 12.0 | 12.1 | 12.0 |
| Goods and services | 4.0 | 4.4 | 4.4 | 4.7 | 4.7 | 4.7 | 4.6 | 4.6 | 4.5 |
| Interest payments | 0.6 | 0.8 | 0.9 | 1.2 | 1.3 | 1.5 | 1.5 | 1.7 | 1.7 |
| Foreign | 0.4 | 0.5 | 0.6 | 0.8 | 0.9 | 1.0 | 1.1 | 1.2 | 1.2 |
| Domestic | 0.2 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 |
| Subsidies | 0.6 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Grants | 0.6 | 0.6 | 0.6 | 0.4 | 0.7 | 0.7 | 0.7 | 0.6 | 0.5 |
| Social benefits | 14.7 | 15.3 | 16.4 | 16.8 | 17.3 | 17.6 | 17.8 | 17.8 | 17.9 |
| Other expense | 2.1 | 2.1 | 2.1 | 2.3 | 2.1 | 2.1 | 2.0 | 1.9 | 1.8 |
| Capital spending | 4.2 | 4.4 | 4.3 | 4.9 | 4.9 | 4.9 | 5.2 | 5.5 | 5.8 |
| Overall Budget Balance | -0.7 | -1.3 | -1.8 | -2.3 | -2.8 | -3.4 | -3.8 | -4.0 | -4.3 |
| Net acquisition of financial assets | 2.8 | 2.1 | 1.6 | 5.5 | 3.3 | 1.4 | 1.5 | 0.3 | 0.1 |
| Domestic | 2.8 | 2.1 | 1.6 | 5.5 | 3.3 | 1.4 | 1.5 | 0.3 | 0.1 |
| Foreign | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net incurrence of liabilities | 3.3 | 3.4 | 3.4 | 7.8 | 6.1 | 4.8 | 5.2 | 4.3 | 4.4 |
| Domestic | 0.7 | -0.3 | -0.9 | 2.6 | 1.7 | 1.4 | 1.5 | 1.2 | 1.3 |
| Foreign | 2.6 | 3.7 | 4.3 | 5.2 | 4.3 | 3.4 | 3.7 | 3.0 | 3.1 |
| Financial Balance Sheet | | | | | | | | | |
| Financial assets | 29.4 | 30.7 | 30.5 | ... | ... | ... | ... | ... | ... |
| Currency and deposits | 11.7 | 12.1 | 9.6 | ... | ... | ... | ... | ... | ... |
| Securities other than shares | 1.7 | 1.7 | 2.6 | ... | ... | ... | ... | ... | ... |
| Loans | 2.9 | 3.2 | 4.4 | ... | ... | ... | ... | ... | ... |
| Shares and other equity | 9.8 | 10.2 | 9.9 | ... | ... | ... | ... | ... | ... |
| Other financial assets | 3.4 | 3.5 | 3.9 | ... | ... | ... | ... | ... | ... |
| Financial liabilities | 38.3 | 40.1 | 40.4 | ... | ... | ... | ... | ... | ... |
| Currency and deposits | 0.2 | 0.1 | 0.2 | ... | ... | ... | ... | ... | ... |
| Securities other than shares | 26.2 | 28.0 | 29.6 | ... | ... | ... | ... | ... | ... |
| Loans | 7.0 | 7.2 | 6.7 | ... | ... | ... | ... | ... | ... |
| Other liabilities | 4.7 | 4.7 | 3.8 | ... | ... | ... | ... | ... | ... |
| Net financial worth | -8.8 | -9.4 | -9.9 | ... | ... | ... | ... | ... | ... |
| Memorandum Items: | | | | | | | | | |
| GDP (in millions of euros) | 74,328 | 79,000 | 84,252 | 89,697 | 94,085 | 99,624 | 104,325 | 109,360 | 114,757 |
| General government debt (Maastricht def.) | 37.1 | 38.0 | 39.5 | 44.9 | 48.9 | 50.9 | 53.9 | 55.7 | 57.4 |
| Foreign debt | 24.1 | 27.1 | 28.5 | 32.0 | 34.8 | 36.3 | 38.4 | 39.7 | 40.9 |
| Domestic debt | 13.0 | 10.9 | 11.0 | 12.9 | 14.0 | 14.6 | 15.5 | 16.0 | 16.5 |
| Defense spending (in millions of euros) | 1,852 | 2,426 | ... | ... | ... | ... | ... | ... | ... |

Sources: Ministry of Finance; Ministry of Social Security; and IMF staff estimates.

## Table 3. Lithuania: Balance of Payments, 2023–31

## (Billions of Euros, unless otherwise indicated)

| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Projections | | | | | |
| Current Account Balance | 0.8 | 2.5 | 0.8 | -1.0 | -0.5 | 0.1 | 0.6 | 1.0 | 1.2 |
| Merchandise trade balance | -4.5 | -4.6 | -6.7 | -9.3 | -9.0 | -8.9 | -8.8 | -9.0 | -9.2 |
| Exports (f.o.b.) | 36.6 | 35.9 | 36.1 | 40.2 | 42.5 | 44.4 | 45.7 | 47.6 | 49.8 |
| Imports (f.o.b.) | 41.2 | 40.5 | 42.8 | 49.5 | 51.5 | 53.3 | 54.5 | 56.6 | 59.0 |
| Services balance | 7.4 | 8.9 | 10.0 | 10.5 | 11.4 | 12.1 | 12.6 | 13.2 | 13.9 |
| Exports | 19.8 | 22.5 | 25.4 | 28.3 | 29.9 | 31.3 | 32.2 | 33.5 | 35.1 |
| Imports | 12.4 | 13.6 | 15.4 | 17.8 | 18.5 | 19.2 | 19.6 | 20.3 | 21.2 |
| Primary income balance | -2.3 | -1.9 | -2.7 | -2.6 | -2.9 | -3.0 | -3.3 | -3.2 | -3.5 |
| Receipts | 2.8 | 3.3 | 3.0 | 3.7 | 3.9 | 4.2 | 4.4 | 4.8 | 5.1 |
| Payments | 5.1 | 5.2 | 5.7 | 6.2 | 6.8 | 7.3 | 7.7 | 8.0 | 8.5 |
| Secondary income balance | 0.2 | 0.2 | 0.2 | 0.3 | 0.0 | 0.0 | 0.1 | 0.1 | 0.0 |
| Capital and Financial Account Balance | -1.8 | 0.4 | 0.4 | 1.1 | -0.8 | -0.8 | -0.3 | -0.9 | -1.0 |
| Capital account balance | 1.2 | 1.2 | 1.6 | 2.2 | 0.8 | 0.6 | 0.6 | 0.6 | 0.6 |
| Foreign direct investment balance | -1.3 | -3.6 | -2.6 | -2.4 | -2.5 | -2.7 | -2.8 | -2.9 | -2.9 |
| Portfolio investment balance | 1.3 | -0.8 | 6.5 | 2.1 | 1.7 | 1.0 | 0.7 | 1.1 | 1.2 |
| Financial derivatives | -0.1 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Other investment balance | 3.0 | 5.2 | -2.8 | 1.2 | 2.4 | 2.9 | 2.9 | 3.2 | 3.2 |
| Errors and omissions | 1.6 | -1.1 | -2.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Overall Balance | 0.6 | 1.4 | -0.8 | 0.1 | -1.3 | -0.7 | 0.4 | 0.1 | 0.2 |
| Financing | -0.6 | -1.5 | 0.8 | -0.1 | 1.3 | 0.7 | -0.4 | -0.1 | -0.2 |
| Gross international reserves (increase: -) | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Use of Fund credit, net | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other prospective financing | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| In Percent of GDP (unless indicated) | | | | | | | | | |
| Current Account Balance | 1.1 | 3.2 | 0.9 | -1.1 | -0.5 | 0.1 | 0.6 | 0.9 | 1.0 |
| Trade balance of goods and services | 3.9 | 5.5 | 3.9 | 1.4 | 2.5 | 3.2 | 3.7 | 3.8 | 4.0 |
| Exports | 75.9 | 73.9 | 73.0 | 76.5 | 76.9 | 75.9 | 74.7 | 74.2 | 73.9 |
| Imports | 72.0 | 68.5 | 69.1 | 75.1 | 74.4 | 72.7 | 71.1 | 70.4 | 69.9 |
| Primary income | -3.0 | -2.5 | -3.2 | -2.9 | -3.1 | -3.1 | -3.1 | -3.0 | -3.0 |
| Secondary income | 0.3 | 0.2 | 0.2 | 0.3 | 0.0 | 0.0 | 0.1 | 0.1 | 0.0 |
| Capital and Financial Account Balance | -2.4 | 0.5 | 0.5 | 1.2 | -0.9 | -0.8 | -0.3 | -0.8 | -0.8 |
| Capital account balance | 1.6 | 1.5 | 1.9 | 2.4 | 0.9 | 0.6 | 0.6 | 0.6 | 0.5 |
| Foreign direct investment balance | -1.8 | -4.6 | -3.1 | -2.7 | -2.7 | -2.7 | -2.7 | -2.6 | -2.5 |
| Portfolio investment balance | 1.8 | -1.0 | 7.8 | 2.4 | 1.8 | 1.0 | 0.6 | 1.0 | 1.0 |
| Financial derivatives balance | -0.1 | -0.1 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Other investment balance | 4.1 | 6.6 | -3.3 | 1.4 | 2.5 | 2.9 | 2.8 | 2.9 | 2.8 |
| Errors and omissions | 2.2 | -1.3 | -2.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Overall Balance | 0.9 | 1.8 | -1.0 | 0.1 | -1.4 | -0.7 | 0.4 | 0.1 | 0.2 |
| Gross External Debt 1/ | 67.9 | 76.6 | 92.3 | 98.2 | 102.7 | 104.4 | 107.2 | 108.9 | 110.3 |
| Public | 28.7 | 30.4 | 29.8 | 33.4 | 36.4 | 38.0 | 40.2 | 41.6 | 43.0 |
| Short-term | 7.3 | 6.0 | 3.2 | 3.6 | 4.0 | 4.2 | 4.5 | 4.7 | 4.9 |
| Long-term | 21.3 | 24.4 | 26.6 | 29.8 | 32.4 | 33.8 | 35.8 | 36.9 | 38.1 |
| Private | 39.2 | 46.1 | 62.5 | 64.8 | 66.3 | 66.4 | 66.9 | 67.2 | 67.3 |
| Short-term | 28.7 | 35.1 | 51.2 | 53.2 | 54.3 | 54.1 | 54.2 | 54.1 | 53.9 |
| Long-term | 10.5 | 11.0 | 11.3 | 11.6 | 12.0 | 12.3 | 12.7 | 13.1 | 13.4 |
| Gross external debt (in percent of GS exports) | 89.4 | 103.6 | 126.4 | 128.4 | 133.4 | 137.6 | 143.4 | 146.8 | 149.2 |
| Net external debt | -10.2 | -13.2 | -10.1 | -12.4 | -11.0 | -10.9 | -11.5 | -12.5 | -13.3 |
| Net international investment position | -4.6 | -0.7 | -1.9 | -1.2 | -1.5 | -1.2 | -0.2 | 1.1 | 2.4 |
| Merchandise export volume (percent change) 2/ | -3.3 | 2.6 | 5.3 | 2.6 | 3.2 | 3.0 | 3.0 | 2.9 | 3.0 |
| Merchandise import volume (percent change) 2/ | -5.3 | 2.4 | 9.3 | 4.6 | 1.6 | 3.5 | 2.0 | 3.0 | 3.0 |
| Merchandise export prices (percent change) 2/ | -0.3 | 1.0 | -0.1 | 8.7 | 2.3 | 1.4 | 0.1 | 1.0 | 1.6 |
| Merchandise import prices (percent change) 2/ | -5.7 | -1.3 | -1.6 | 10.6 | 2.3 | 0.0 | 0.3 | 0.8 | 1.2 |
| GDP (in billion of Euros) | 74.3 | 79.0 | 84.3 | 89.7 | 94.1 | 99.6 | 104.3 | 109.4 | 114.8 |

Sources: Data provided by the Lithuanian authorities; IMF International Financial and Trade Statistics; and IMF staff estimates and projections.

1/ Government external debt does not include guaranteed loans.

2/ Derived from national accounts data.

## Table 4. Lithuania: Summary of Monetary Accounts, 2015–25

### (Billions of Euros, unless otherwise specified)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Monetary Authority | | | | | | | | | | | |
| Gross foreign assets | 2.9 | 3.0 | 4.2 | 5.7 | 5.3 | 4.7 | 5.9 | 5.2 | 5.7 | 7.1 | 6.2 |
| Gross foreign liabilities | 0.2 | 0.2 | 0.2 | 0.3 | 0.5 | 1.2 | 3.2 | 2.0 | 1.8 | 1.8 | 1.2 |
| Net foreign assets | 2.7 | 2.8 | 4.0 | 5.3 | 4.7 | 3.5 | 2.6 | 3.2 | 3.8 | 5.4 | 5.0 |
| Net domestic assets | 6.5 | 9.8 | 11.7 | 13.4 | 10.8 | 17.0 | 22.1 | 19.1 | 17.2 | 17.4 | 17.7 |
| Net credit to government | 0.0 | 1.0 | -0.1 | 1.2 | 0.3 | 10.1 | 8.9 | 11.0 | 8.4 | 7.8 | 8.6 |
| Credit to banks | 1.0 | 0.7 | 0.6 | 0.5 | 0.3 | 6.3 | 16.8 | 9.0 | 9.3 | 11.5 | 10.8 |
| Credit to private sector | 1.7 | 4.8 | 8.0 | 8.9 | 8.2 | 0.5 | 0.4 | 0.5 | 0.3 | 0.4 | 0.6 |
| Other items, net | 3.8 | 3.3 | 3.3 | 2.9 | 1.9 | 0.2 | -3.9 | -1.3 | -0.9 | -2.3 | -2.2 |
| Reserve money | 9.1 | 12.6 | 15.7 | 18.8 | 15.5 | 20.6 | 24.8 | 22.3 | 21.0 | 22.8 | 22.7 |
| Currency outside the central bank | 6.1 | 6.2 | 6.4 | 6.8 | 7.1 | 7.8 | 8.4 | 8.5 | 8.4 | 8.8 | 9.0 |
| Currency outside banks | 5.7 | 5.8 | 6.0 | 6.3 | 6.6 | 7.3 | 7.8 | 8.1 | 8.0 | 8.3 | 8.5 |
| Cash in vaults of banks | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 0.4 | 0.5 | 0.4 | 0.4 | 0.5 | 0.5 |
| Deposit money banks' deposits with BoL | 3.1 | 6.4 | 9.3 | 12.0 | 8.5 | 12.8 | 16.4 | 13.8 | 12.6 | 14.0 | 13.7 |
| Banking Survey | | | | | | | | | | | |
| Net foreign assets | 1.5 | 2.1 | 2.4 | 4.1 | 3.8 | 4.4 | 3.3 | 4.0 | 5.7 | 5.5 | 5.2 |
| Monetary authority | 2.7 | 2.8 | 4.0 | 5.3 | 4.7 | 3.5 | 2.6 | 3.2 | 3.8 | 5.4 | 5.0 |
| Banks and other banking institutions | -1.2 | -0.7 | -1.6 | -1.2 | -0.9 | 0.9 | 0.7 | 0.8 | 1.9 | 0.1 | 0.2 |
| Net domestic assets | 20.5 | 21.5 | 22.5 | 23.7 | 26.9 | 36.2 | 42.8 | 47.6 | 46.0 | 52.8 | 56.3 |
| Net claims on government 1/ | 1.7 | 2.3 | 0.7 | 1.9 | 1.0 | 10.4 | 10.0 | 12.5 | 10.5 | 11.2 | 16.5 |
| Monetary authority | 0.0 | 1.0 | -0.1 | 1.2 | 0.3 | 10.1 | 8.9 | 11.0 | 8.4 | 7.8 | 8.6 |
| Banks and other banking institutions | 1.8 | 1.3 | 0.8 | 0.8 | 0.6 | 0.3 | 1.1 | 1.5 | 2.1 | 3.4 | 7.8 |
| Credit to private sector | 17.1 | 21.3 | 25.2 | 27.2 | 27.2 | 19.0 | 21.4 | 24.4 | 24.4 | 24.4 | 24.4 |
| Credit to nonbank financial institutions | 3.1 | 6.5 | 9.9 | 11.2 | 10.4 | 2.3 | 2.5 | 9.6 | 10.6 | 14.1 | 6.0 |
| Other items, net | -1.3 | -8.6 | -13.3 | -16.6 | -11.6 | 4.4 | 8.9 | 1.1 | -0.7 | -1.0 | 0.7 |
| Broad Money | 22.0 | 23.6 | 25.0 | 27.8 | 30.7 | 40.6 | 46.1 | 51.7 | 51.7 | 58.3 | 61.5 |
| Currency outside banks | 5.7 | 5.8 | 6.0 | 6.3 | 6.6 | 7.3 | 7.8 | 8.1 | 8.0 | 8.3 | 8.5 |
| Deposits | 16.4 | 17.8 | 19.0 | 21.5 | 24.1 | 33.3 | 38.2 | 43.6 | 43.7 | 50.0 | 53.0 |
| In national currency | 15.5 | 16.9 | 18.1 | 20.6 | 23.1 | 31.7 | 36.3 | 41.1 | 41.9 | 48.0 | 50.7 |
| In foreign currency | 0.9 | 0.9 | 0.9 | 0.9 | 1.0 | 1.6 | 1.9 | 2.5 | 1.8 | 2.0 | 2.3 |
| Memorandum Items: | | | | | | | | | | | |
| Reserve money (yearly percent change) | 53.3 | 38.4 | 24.9 | 19.3 | -17.4 | 32.4 | 20.5 | -9.9 | -5.7 | 8.2 | -0.4 |
| Broad money (yearly percent change) | 33.1 | 7.0 | 5.8 | 11.4 | 10.4 | 32.1 | 13.5 | 12.1 | 0.1 | 12.7 | 5.4 |
| Private sector credit (yearly percent change) | 4.1 | 7.1 | 4.5 | 6.0 | 3.9 | -2.2 | 13.2 | 14.0 | 5.4 | 11.6 | 15.9 |
| Money multiplier | 2.4 | 1.9 | 1.6 | 1.5 | 2.0 | 2.0 | 1.9 | 2.3 | 2.5 | 2.6 | 2.7 |
| Currency outside banks, in percent of deposits | 34.8 | 32.5 | 31.6 | 29.3 | 27.3 | 22.0 | 20.5 | 18.6 | 18.3 | 16.6 | 16.0 |
| Foreign-currency deposits (percent of total deposits) | 5.5 | 5.1 | 4.8 | 4.1 | 4.1 | 4.7 | 5.0 | 5.7 | 4.2 | 4.0 | 4.4 |
| Foreign-currency loans (percent of total loans) 2/ | 99.1 | 99.4 | 99.5 | 99.6 | 99.7 | 99.8 | 99.8 | 99.9 | 99.9 | 99.9 | 99.9 |
| Velocity of broad money | 1.7 | 1.6 | 1.7 | 1.7 | 1.6 | 1.2 | 1.2 | 1.3 | 1.4 | 1.4 | 1.4 |
| Gross official reserves (billions of U.S. dollars) 3/ | 1.9 | 3.0 | 4.6 | 6.2 | 5.6 | 4.9 | 6.1 | 6.2 | 6.9 | 8.8 | 7.4 |
| Gross official reserves (billions of euros) 3/ | 2.9 | 3.0 | 4.2 | 5.7 | 5.3 | 4.7 | 5.9 | 5.2 | 5.7 | 7.1 | 6.2 |
| GDP | 37.4 | 38.8 | 42.3 | 46.0 | 49.2 | 50.3 | 56.7 | 67.1 | 74.3 | 79.0 | 84.3 |

Sources: Bank of Lithuania; and IMF staff estimates and projections.

1/ Excludes local government deposits; includes counterpart funds.

2/ Loans to households and non-financial corporations.

3/ BOP basis. Differs from gross foreign assets as shown in the monetary authority's balance sheet because of valuation effects (BoP-basis official reserves include accrued interest on deposits and securities but exclude investments in shares and other equity).

## Table 5. Lithuania: Financial Soundness Indicators, 2015–25

### (Percent, unless otherwise specified)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Capital adequacy | | | | | | | | | | | |
| Regulatory capital to risk-weighted assets 1/ 2/ | 24.9 | 19.4 | 19.1 | 18.6 | 23.7 | 24.0 | 23.5 | 20.4 | 20.0 | 21.9 | 23.0 |
| Regulatory Tier 1 capital to risk-weighted assets 1/ 2/ | 24.3 | 19.1 | 18.8 | 18.5 | 23.3 | 23.6 | 23.2 | 20.2 | 18.7 | 20.5 | 21.8 |
| Capital to assets 1/ | 11.1 | 10.4 | 9.4 | 8.6 | 9.1 | 8.1 | 7.1 | 6.0 | 6.7 | 6.7 | 6.4 |
| Asset quality | | | | | | | | | | | |
| Nonperforming loans to capital 1/ 3/ | 38.3 | 35.5 | 28.6 | 26.9 | 15.2 | 15.0 | 8.6 | 7.2 | 7.3 | 8.1 | 7.7 |
| Nonperforming loans net of provisions to capital 1/ 3/ | 25.0 | 23.2 | 18.8 | 20.0 | 10.5 | 10.4 | 6.0 | 4.6 | 4.5 | 4.4 | 3.7 |
| Nonperforming loans to total (non-interbank) loans 1/ 3/ | 6.0 | 4.3 | 4.1 | 3.0 | 1.4 | 1.6 | 0.8 | 0.7 | 0.8 | 1.1 | 1.0 |
| Nonperforming loans to capital 1/ 3/ 4/ | 38.3 | 35.5 | 28.6 | 26.9 | 15.2 | 15.0 | 8.6 | 7.2 | 7.3 | 8.1 | 7.7 |
| o/w impaired loans to capital 1/ 3/ 4/ | 23.4 | 23.1 | 18.4 | 26.0 | 14.3 | 14.2 | 15.6 | 13.9 | 13.8 | 11.0 | 11.0 |
| Nonperforming loans net of provisions to capital 1/ 3/ 4/ 5/ | 25.0 | 23.2 | 22.9 | 20.0 | 10.5 | 10.4 | 6.0 | 4.6 | 4.5 | 4.4 | 3.7 |
| Nonperforming loans to total (non-interbank) loans 3/ 4/ | 5.7 | 4.1 | 4.1 | 2.5 | 1.5 | 1.4 | 2.2 | 1.9 | 2.2 | 2.2 | 2.0 |
| o/w impaired loans to total (non-interbank) loans 4/ | 3.8 | 3.1 | 2.2 | 2.4 | 1.4 | 1.3 | 1.5 | 1.3 | 1.5 | 1.4 | 1.5 |
| Impairment losses to total (non-interbank) loans 6/ 7/ | 1.97 | 1.43 | 1.10 | 0.85 | 0.60 | 0.62 | 1.40 | 1.59 | 1.97 | 1.79 | 1.8 |
| Impairment losses to nonperforming loans 3/ 4/ 6/ 7/ | 34.71 | 34.73 | 30.80 | 33.41 | 39.36 | 43.81 | 66.45 | 75.08 | 48.72 | 38.79 | 41.2 |
| Sectoral distribution of corporate loans 8/ | | | | | | | | | | | |
| Agriculture, forestry and fishing | 3.6 | 3.7 | 3.6 | 3.6 | 3.2 | 3.5 | 3.0 | 2.8 | 2.7 | 3.2 | 3.3 |
| Mining and quarrying | 0.5 | 0.5 | 0.5 | 0.4 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Manufacturing | 14.7 | 14.2 | 14.3 | 14.0 | 14.9 | 14.7 | 14.6 | 14.3 | 13.3 | 13.9 | 12.9 |
| Electricity, gas, steam and air conditioning supply | 11.0 | 8.7 | 4.7 | 5.3 | 7.4 | 5.7 | 5.3 | 7.2 | 7.2 | 8.7 | 10.4 |
| Water supply; sewerage, waste management and remediation activities | 1.0 | 0.9 | 0.8 | 0.6 | 0.6 | 0.7 | 1.0 | 1.0 | 1.0 | 0.9 | 0.7 |
| Construction | 6.1 | 5.4 | 5.2 | 3.7 | 3.1 | 2.9 | 3.1 | 4.0 | 5.3 | 5.5 | 4.5 |
| Wholesale and retail trade; repair of motor vehicles and motorcycles | 21.9 | 21.3 | 22.7 | 25.4 | 23.0 | 19.4 | 21.3 | 20.3 | 19.4 | 18.2 | 17.2 |
| Transportation and storage | 5.8 | 5.8 | 6.1 | 8.7 | 9.3 | 9.0 | 8.1 | 5.4 | 6.0 | 5.7 | 5.4 |
| Accommodation and food service activities | 2.4 | 2.4 | 2.4 | 3.0 | 2.6 | 3.1 | 2.3 | 1.9 | 2.1 | 1.9 | 2.1 |
| Information and communication | 0.8 | 2.4 | 2.4 | 2.0 | 1.8 | 1.1 | 0.8 | 1.0 | 1.1 | 1.5 | 1.5 |
| Real estate activities | 26.3 | 26.6 | 25.8 | 25.0 | 27.0 | 31.9 | 32.5 | 32.2 | 30.7 | 29.6 | 28.4 |
| Professional, scientific and technical activities | 2.6 | 3.2 | 5.0 | 2.6 | 1.8 | 2.2 | 3.0 | 3.3 | 3.8 | 3.8 | 6.1 |
| Administrative and support service activities | 2.0 | 3.0 | 4.4 | 2.6 | 2.4 | 2.9 | 2.6 | 3.6 | 3.8 | 3.7 | 4.2 |
| Remaining activities | 1.3 | 1.8 | 2.2 | 3.0 | 2.6 | 2.5 | 2.2 | 2.8 | 3.4 | 3.0 | 3.1 |
| Residential real estate loans to total (non-interbank) loans | 30.5 | 31.7 | 37.7 | 36.5 | 27.6 | 31.8 | 30.3 | 25.2 | 28.2 | 40.0 | 37.5 |
| Earnings and profitability | | | | | | | | | | | |
| RoE 1/ 9/ | 9.0 | 11.4 | 10.3 | 13.8 | 15.5 | 12.6 | 13.1 | 14.2 | 26.7 | 23.1 | 19.8 |
| RoA 9/ | 1.3 | 1.3 | 1.2 | 1.5 | 1.4 | 1.0 | 1.0 | 1.3 | 2.2 | 2.0 | 1.6 |
| Interest margin to gross income | 52.6 | 56.3 | 54.6 | 54.7 | 54.3 | 56.5 | 44.1 | 39.8 | 62.0 | 56.3 | 44.6 |
| Noninterest expenses to gross income | 57.0 | 55.9 | 55.0 | 51.0 | 53.8 | 56.5 | 66.3 | 65.2 | 58.4 | 65.9 | 70.6 |
| Trading and foreign exchange gains (losses) to gross income | 6.2 | 4.3 | 7.2 | 6.2 | 6.2 | 6.3 | 7.4 | 10.5 | 2.7 | 2.1 | 4.0 |
| Personnel expenses to noninterest expenses | 42.4 | 43.2 | 41.1 | 42.1 | 38.7 | 38.7 | 44.6 | 30.4 | 16.0 | 14.3 | 13.5 |
| Liquidity | | | | | | | | | | | |
| Liquidity coverage ratio | .. | 266.3 | 281.9 | 254.2 | 272.4 | 743.3 | 392.3 | 389.6 | 342.0 | 346.7 | 322.3 |
| Liquid assets to total assets 10/ | .. | 16.5 | 24.3 | 25.6 | 22.7 | 26.9 | 34.3 | 34.1 | 29.7 | 36.0 | 36.5 |
| Loan to deposit ratio in the banking sector 11/ | 98.6 | 99.0 | 94.6 | 89.3 | 81.9 | 61.4 | 64.0 | 55.9 | 54.2 | 51.8 | 49.3 |
| Memo item | | | | | | | | | | | |
| Provisioning (in percent of NPLs) | 32.3 | 32.2 | 30.8 | 26.1 | 30.7 | 31.5 | 30.2 | 35.8 | 35.6 | 31.8 | 35.1 |

Sources: Bank of Lithuania; and http://fsi.imf.org/.

1/ Excluding foreign bank branches.

2/ As defined in Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

3/ Consolidated data are used. Due to changes in consolidation methodology, data from Q1 2014 are not entirely comparable with previous.

2015 Q3 - 2016 Q1 data were adjusted eliminating accounting changes due to the transaction between Swedbank, AB, and Danske Bank A/S Lithuania Branch.

4/ From end-2005 to Q1-2008, NPLs are loans overdue more than 60 days. Untill 2004 NPLs are loans in Substandard, Doubtful and Loss loans categories.

Starting June 2008, non-performing loans are defined as the sum of impaired loans and non-impaired loans that are overdue more than 60 days.

5/ Specific provisions include allowances for both individually and collectively assessed loans.

6/ Specific provisions include provisions against general portfolio risk until end-2004. From end-2005, due to the change in definition of NPLs, specific provisions are not directly attributable to the NPLs. Therefore, the ratio may be negative.

7/ Specific provisions include allowances for both individually and collectively assessed loans.

8/ According to Nace 1 up to Sept 2011. Data according to Nace 2 thereafter.

9/ Total profits (losses) after tax. Interim quarterly results are annualised.

10/ Composition of liquid assets and current liabilities is defined in the Liquidity Ratio Calculation Rules approved by Resolution No. 1 of the Board of the Bank of Lithuania of 29 January 2004.

11/ Consolidated data; due to changes in data consolidation methodology, data from Q1 2014 are not entirely comparable with previous data.

# Annex I. Risk Assessment Matrix[1]

| Source of Risks, Likelihood, and Time Horizon | Impact on Lithuania | Recommended Policy Response |
|---|---|---|
| Global Risks | | |
| High<br>Geopolitical Tensions. Intensification of conflicts damage key infrastructure, disrupt major shipping routes and supply chains, increase migration pressures, reignite inflation, and weigh on growth. | Medium<br>Lithuania is vulnerable to disruptions in global supply chains and higher energy prices, which could increase prices of critical inputs, put pressure on prices and household and firm balance sheets and weigh on growth. | Diversify further trade, financial flows, and sources of energy supplies. Accelerate structural reforms to strengthen competitiveness and build resilience. |
| High<br>Protectionism and Trade Disruptions. Tariff and nontariff measures disrupt global supply chains and inflict an outsized impact on economic activity and prices. Trade diversion spurs protectionist measures by more countries amplifying inflation from profit margin decompression or strategic complementarities. | Medium<br>As a small open economy, Lithuania is vulnerable to disruptions to global trade with negative effects for growth and inflationary pressures related to costlier inputs and reduced access to export markets outside the EU. | Diversify sources of intermediate goods imports. Accelerate investments in energy sources and electricity market connections. Press for quicker progress of EU single market integration. |
| High<br>Fiscal Vulnerabilities and Higher Interest Rates. Higher public debt and deficit levels in major economies put further upward pressure on long-term interest rates, sharply tightening global financial conditions and increasing the risk of sovereign bond market stress [in the event of a shock]. Disruptions are amplified by increased role of price-sensitive and leveraged NBFIs in sovereign debt markets, limited market absorption capacity, higher roll-over needs on shorter sovereign debt maturities, and strong sovereign-financial nexus. | Medium<br>Lithuania's public debt remains at a moderate level but is rising rapidly. The prospect of higher long-term interest rates could further exacerbate debt accumulation, heightening concerns about debt sustainability and macro-financial stability. | Accelerate the implementation of structural reforms and develop a comprehensive medium-term fiscal strategy that enhances revenue generation and reassesses spending priorities, aiming to boost growth potential while effectively addressing social needs. |

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[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

| Source of Risks, Likelihood, and Time Horizon | Impact on Lithuania | Recommended Policy Response |
|---|---|---|
| Policy Uncertainty. High<br>Elevated and wide-ranging policy uncertainty weighs on sentiment and holds back consumption and investment. Political interference in independent economic institutions erodes public confidence and trust and raises the risk of policy mistakes. | Medium<br>Elevated policy uncertainty could weigh on economic activity by dampening confidence, delaying consumption and investment decisions. | Reinforce confidence with a credible and transparent medium-term policy framework. Clear and consistent policy communication will reduce uncertainty, support effective private-sector decision-making. |
| AI-related Risks<br>• Disorderly AI Correction. High<br>Expectations of strong AI-led productivity gains are revised abruptly, prompting a sharp decline in investment, steep market corrections, and negative wealth effects suppressing demand further, tightening financial conditions globally. Rapidly growing, less regulated crypto activities may augment these vulnerabilities.<br>• AI Acceleration. Medium<br>AI-related productivity gains, adoption, and upside earnings surprises accelerate growth, renew dynamism, and boost financial valuations, while posing new challenges for energy and other critical inputs, as well as for labor market transitions. | Medium<br>Tighter global financial conditions could trigger capital outflows, raise risk premia and pose a risk to financial stability.<br>Lithuania has invested significantly in digitalizing its economy in recent years, but its digital infrastructure remains close to EU average. Already high skills mismatch could be aggravated by a change in demand for skills related to new technologies. | Intensify monitoring of financial risks, while strengthening stress-testing frameworks. If needed, provide liquidity support to preserve market functioning and confidence.<br>Policies should aim to facilitate technological diffusion, job transition and AI adoption among firms, while introducing measures to mitigate associated risks in terms of possible job replacements and inequality deepening. |
| Medium<br>Social Discontent. Persistently high living costs, youth unemployment and inequality, amid an erosion of democratic institutions and pressures from geoeconomic realignments, trigger social unrest, potential repression, and political instability, affecting countries' capacity to pursue economic reforms and maintain resilience. | Medium<br>Elevated levels of inequality and a large share of population at risk of poverty or social exclusion may intensify government spending pressures and foster resistance to necessary structural reforms. | Prioritize fiscal reforms to improve social safety nets, including through targeted spending, and ensure that structural reforms are sequenced, well packaged and reflect social consensus, with complementary and compensatory measures that consider the potential distributional effects. |

| Source of Risks, Likelihood, and Time Horizon | Impact on Lithuania | Recommended Policy Response |
|---|---|---|
| High<br>Cyberthreats. Cyberattacks on physical or digital infrastructure, technical failures, or misuse of AI technologies could trigger financial and economic instability. | High<br>A cyberattack targeting financial institutions or payment systems could undermine confidence, disrupt the flow of transactions, and create liquidity pressures—though ample liquidity in the economy may help cushion the immediate effects. Breaches in critical infrastructure would hamper production and disrupt supply chains, ultimately weighing on economic growth. | Strengthen cybersecurity frameworks and resilience measures across critical infrastructure and financial systems. Enhance regulatory standards and supervisory oversight, developing contingency plans and rapid response protocols. |
| Medium<br>Immigration Restrictions. Tighter migration policies exacerbate labor shortages in aging destination economies, reducing potential output, fueling inflation, and straining fiscal balances through lower revenues. | Medium<br>Higher-than-expected net migration can further support employment growth and mitigate the impact of declining labor force and alleviate skills mismatches and labor shortages. On the other hand, a large decline in net migration would reduce labor supply and further limit employment growth. | Continue to support the integration of immigrants into the labor market. Encourage further labor market participation by women and older workers. |
| Medium<br>Climate Change. Extreme climate events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heighten economic and financial instability. | Medium<br>Heightened volatility resulting from climate change poses risks to biodiversity, food production, infrastructure, and activities that are sensitive to weather fluctuations. | Continue to strengthen climate-related policies along with energy security, including increasing the share of renewables. |
| Domestic Risks | | |
| Medium<br>Overheating. Excessively strong domestic demand can support near-term growth but widen the positive output gap, thereby intensifying inflationary pressures. | Medium<br>Lithuania is exposed to overheating risks stemming from the potential for significant withdrawals of Pillar II pensions, which could further widen the output gap and intensify inflationary pressures. | Enhance financial literacy initiatives, actively encourage Pillar II pension participants to continue saving their contributions, and implement contractionary fiscal measures and tighten macroprudential policies to help moderate domestic demand pressures and limit financial risks. |

| Source of Risks, Likelihood, and Time Horizon | Impact on Lithuania | Recommended Policy Response |
|---|---|---|
| High<br>Failure to implement structural reforms. Elusive implementation of reforms in critical areas, including education and health care, limit opportunities to increase potential growth and productivity. | High<br>Income convergence would be further delayed while social demands continue to rise without commensurate growth and revenue. | Expedite the implementation of structural reforms and develop a comprehensive medium-term fiscal strategy that boosts potential growth while effectively addressing social needs. |
| High<br>Addressing near- and long-term spending pressures. Failure to implement adequate fiscal reforms given additional spending pressures related to aging, climate, and defense. | High<br>Higher public debt would increase concerns of debt sustainability and macro-financial stability. | Implement pension, healthcare and education reforms to improve efficiency and tax policy changes to increase revenue collection. |

# Annex II. Implementation of Past IMF Recommendations

|  | Education |
|---|---|
| Issue | Existing inefficiencies on the education system. Inefficient tertiary education system. |
| Recommendations | Implement education reforms to foster vocational training, review nexus between universities, financial incentives, and quality standards. Improve efficiency of the system. Rationalization potential given teacher-student ratio in secondary education. |
| Authorities' actions | A government decision adopted at the end of 2024 states that a school's general education program can be suspended if it fails to meet at least one of the criteria for such programs and the school is unable to correct the deficiencies within a year. A plan to strengthen the network of public colleges was launched in 2023 to provide students with better quality education based on professional practice and applied research. The main policy is the 10-year national progress plan that was introduced in 2021. It includes school network optimization and compliance of the education system with the labor market and the aging population. The government also implemented vocational education reforms through EU-funded programs by aligning curricula with labor market needs, expanding apprenticeships and training centers, as well as targeted initiatives to reduce dropouts and address skills mismatches—especially in STEM fields. |
|  | Healthcare |
| Issue | One of the highest levels of preventable and treatable mortality in Europe. The system remains hospital-care centered while out-patient and long-term care for elderly lag. The doctor-nurse ratio is higher than in peer countries. High out-of-pocket payments impede affordability of care. |
| Recommendations | Efficiency could be improved by focusing on preventive care and reducing the costs of pharmaceuticals and the hospitals network. |
| Authorities' actions | A health system restructuring was initiated in 2023. It has a central goal to improve the quality and accessibility of health services. The government has committed to increasing public expenditure, slowing privatization, ensuring adequate geographical distribution of healthcare providers and reducing administrative burdens for healthcare professionals. Nurses have been given more responsibilities for consultation and prescriptions. EU funds are used to improve health infrastructure. Efforts to establish municipal health centers, creating a more integrated long-term care framework and cluster hospital services are ongoing. Health spending has increased over the last years but remains significantly below EU average. Nursing places and healthcare professionals salary have also been increased. |
|  | Fiscal Policy |
| Issue | Low overall tax collection with high labor tax wedge and low wealth and environmental-related taxes. Tax system has limited redistributive impact. Past budgets implied significant fiscal easing. |
| Recommendations | There is scope to increase tax revenues while preserving the competitive tax environment, by raising the PIT and increasing progressivity, lowering CIT exemptions, reducing tax expenditures, increasing environmental taxes or modernizing the property tax regime. Given a closed output gap in 2025 and mounting spending pressures, a tighter than budgeted fiscal stance was recommended. |

| | |
|---|---|
| Authorities' actions | The government has implemented tax changes, effective as of January 1, 2026, including an additional intermediate PIT rate, increasing the CIT rate to 17% from 16% (to 7% from 6% in the case of SMEs on certain requirements), a 10% tax for non-life insurance premia, a tax on sweetened beverages, an increase in the reduced VAT rate of 9 to 12% and adjustments to real estate taxes. The revenue gains of 0.6 percent of GDP are, however, low compared to spending increases, including defense. The fiscal stance was expansionary in 2025 despite a smaller-than-budgeted deficit. |
| | **Labor Market** |
| Issue | Flexible labor market with high skill-mismatches and labor shortages mostly in high-skill industries. High minimum wage introduces distortions in regional areas with low wages. |
| Recommendations | Reduce the tax wedge. Strengthen ALMPs, including life-long learning and apprenticeships, and increase its funding. Reduce barriers to non-EU migration and increase retirement age. Pause minimum wage increase and consider having differentiated minimum wage across regions. |
| Authorities' actions | Enhanced ALMPs (introduced internships, mobility support, recognition of self-education, a national lifelong learning platform, projects targeting young, long-term, and migrant unemployed). Increased minimum wage by 11.1 percent in 2026. The work permit quota for foreigners was reduced significantly in 2025. Unemployment benefits pay out periods were shortened in 2025. Starting from July 2026, unemployment benefits will decrease more quickly over the unemployment period. Platform with individual learning accounts created, connected to unemployment services, includes different ministries' programs. |
| | **Pensions** |
| Issue | Low and falling replacement ratios for a rapidly aging population. Highly redistributive—currently the most effective redistributive policy tool—but not targeted at the poor. |
| Recommendations | Link retirement age to life expectancy and tighten early retirement. Raise gross pensions (to at least preserve replacement ratios) and subject them to progressive PIT. Strengthen multi-pillar system by funding non-contributory basic pensions through general revenues and by making payments to second pillar compulsory. Scale back incidence of disability pensions. |
| Authorities' actions | The government has implemented changes to the 2nd pillar pension scheme—including the replacement of automatic enrollment with voluntary participation, introduction of a two-year window to withdraw funds from 2026-2027, the possibility of a one-time 25 percent withdrawal and of contribution breaks. |
| | **Capital markets** |
| Issue | Capital markets continue to be shallow with limited access to finance for firms, especially SMEs. |
| Recommendations | Deepen the domestic capital market by giving stronger incentives to improve access to finance, support private investment and growth, and facilitate the adoption of new technologies. |
| Authorities' actions | Lithuania has strengthened its investment and capital market ecosystem through the launch of new SME co-financing funds in 2023, the consolidation of the national development bank (ILTE), and reforms in 2025 to encourage household investment—such as introducing new investment accounts for households to encourage them to invest in financial instruments and expanding pension fund allocations to domestic assets including unlisted equities—while also reducing barriers by gathering all administrative requirements for creating businesses in a unique digital platform. |

| | |
|---|---|
| | The Baltic Regional Capital Market Initiative was launched to address longstanding market fragmentation and limited access to market-based finance. The authorities unified the national exchanges under Nasdaq Baltic, introducing harmonized listing standards and a single trading platform; established a single regional central securities depository (Nasdaq CSD), streamlining post-trade operations; further enhanced market infrastructure by securing full connectivity to TARGET2-Securities via Clearstream, reducing cross-border settlement costs; and introduced the MSCI Baltic Index in 2023.<br>The First North is an alternative market to Nasdaq Vilnius, providing smaller and fast-growing firms with access to markets under lighter regulatory requirements. The authorities expanded the Certified Adviser base, widened the foreign securities list to include bonds, and enhanced investor access—including through the admission of Lithuanian government Eurobonds—to strengthen market infrastructure and boost participation. |
| | Energy security |
| Issue | The significant energy dependence of Lithuanian imports makes the economy highly exposed to external energy price shocks. |
| Recommendations | Accelerate the green transition—especially adaptation—while maintaining strong decarbonization efforts despite competing investment priorities, to meet EU climate goals and reduce macro-financial risks. Continue to strengthen energy security and expand renewables, alongside further diversification of trade, financial flows, and energy sources. In the face of energy price shocks, fiscal support should be targeted and temporary  while allowing automatic stabilizers to operate fully. |
| Authorities' actions | Lithuania has advanced its green transition through the introduction of $CO_2$-based excise duties since 2025, increasing support for electric vehicles—via purchase subsidies and large-scale expansion of charging infrastructure—and ongoing electrification and rail investments, including Rail Baltica, despite risks of delays and extra costs. Pilot building renovation projects aim at scaling up energy efficiency were implemented, while stronger energy security and resilience have been enabled by integrating the European electricity grid, diversifying its energy sources and increasing the share of domestic renewable energy. |

# Annex III. External Sector Assessment

Overall Assessment: *The external position of Lithuania in 2025 was broadly in line with the level implied by fundamentals. The current account deteriorated, driven by higher goods imports, while primary income balance remained negative. In the coming years, Lithuania's current account balance is expected to be slightly negative, with a growing services surplus partly offsetting the goods deficit driven by the energy price shock and the Pillar II pension withdrawals. Reflecting the expanded cross-border activity of a large Lithuania-based bank, debt liabilities increased substantially, outpacing debt assets growth.*

Potential Policy Responses: *Maintaining the external position in line with medium-term fundamentals and desirable policies will require fiscal consolidation to ensure fiscal sustainability over the medium to long term, as well as structural reforms to support productivity and attract investment.*

## Foreign Assets and Liabilities: Position and Trajectory

Background. The NIIP has slightly deteriorated. Debt liabilities strongly increased (+14 percent points as a share of GDP compared to 2024), driven by MFIs' debt securities, and are now exceeding debt assets (59.5 percent of GDP). The NIIP should remain slightly negative in the coming years before improving as the current account recovers.

Assessment. The current NIIP and its projected path do not imply risks to external sustainability. The increase in debt liabilities, due to the expansion of a large Lithuania-based bank and hence likely temporary, warrants continued monitoring.

| | | | | | |
|---|---|---|---|---|---|
| 2025 (% GDP) | NIIP: -1.9 | Gross Assets: 140.6 | Debt Assets: 59.5 | Gross Liab.: 142.5 | Debt Liab.: 68.1 |

## Current Account

Background. The current account recorded a surplus of 0.9 percent of GDP in 2025, from surpluses of 3.2 percent in 2024 and 1.1 percent in 2023. The decrease in the surplus in 2025 is mainly explained by higher goods imports, which were only partly offset by dynamic services exports.

Assessment. The EBA-lite CA model estimates that the current account gap is 0.3 percent with a CA norm estimated at 0.9 percent of GDP. The main contributors are fiscal deficits, which are lower relative to other countries, and health spending, which is also relatively low.

Lithuania: EBA-lite Model Results, 2025

| | CA model 1/ | REER model 1/ |
|---|---|---|
| | (in percent of GDP) | |
| CA-Actual | 0.9 | |
| Cyclical contributions (from model) (-) | 0.0 | |
| Additional temporary/statistical factors (-) 2/ | | |
| Natural disasters and conflicts (-) | -0.3 | |
| Adjusted CA | 1.2 | |
| | | |
| CA Norm (from model) 2/ | 0.9 | |
| Adjustments to the norm (+) | 0.0 | |
| Adjusted CA Norm | 0.9 | |

| | | |
|---|---|---|
| CA Gap | 0.3 | -7.6 |
| o/w Relative policy gap | 1.4 | |
| Elasticity | -0.5 | |
| REER Gap (in percent) | -0.5 | 14.5 |

1/ Based on the EBA-lite 3.0 methodology

2/ Cyclically adjusted, including multilateral consistency adjustments.

## Real Exchange Rate

Background. The HICP-based real effective exchange rate increased by 0.9 percent in 2025, resuming the upward trend that was seen from 2015 to 2023.

Assessment. The current account model yields a REER gap of -0.5 percent while the REER model suggests a large positive gap. The REER overvaluation trend seems to have resumed with the real appreciation in 2025. The real appreciation reflects in part improving terms of trade (+1.5 percent compared to 2024) and capital inflows as suggested by the higher capital account (1.9 percent of GDP compared to 1.5 percent in 2024) and the lower financial account (0.4 percent of GDP compared to 2.8 percent in 2024). However, the REER gap from the REER model may be overestimated, reflecting the high weight the model assigns to increasing life expectancy and aging population in Lithuania.

## Capital and Financial Accounts: Flows and Policy Measures

Background. Lithuania experienced some capital inflows in 2025 for the first time since 2022. Those inflows were mainly driven by a strong increase in MFIs' other investment liabilities outpacing the increase in portfolio investment asset acquisitions.

Assessment. Debt liabilities increased significantly in 2025 (68.1 percent of GDP compared to 53.8 in 2024) while debt assets slightly decreased (59.5 percent of GDP compared to 61.4 in 2024) and now represent nearly half of gross liabilities. Although the increase in debt liabilities — due to the expansion of a Lithuania-based bank — is expected to be temporary; it warrants continued monitoring.

## FX Intervention and Reserves Level

Background. The euro has the status of a global reserve currency.

Assessment. Reserves in the euro area tend to be low relative to standard metrics, but the currency is free floating.

# Annex IV. Debt Sustainability Analysis

## Annex IV. Figure 1. Risk of Sovereign Stress

### Lithuania: Risk of Sovereign Stress

| Horizon | Mechanical signal | Final assessment | Comments |
|---|---|---|---|
| Overall | ... | Low | The overall risk of sovereign stress is low, with low levels of vulnerability<br>in the near-term and moderate in the medium to long-term. |
| Near term 1/ | | | |
| Medium term | Moderate | Moderate | The two medium-term tools point to a moderate level of risk. The Debt Fanchart Module suggests a moderate risk, primarily due to a high probability that debt will not stabilize in the medium term and high fanchart width. The GFN Module indicates moderate liquidity risks, as gross financing needs are expected to rise over the medium term. Liquidity risks are mitigated by access to a wider pool of investors in Europe and the ECB's stabilizing role. No stress tests were triggered. |
| Fanchart | Moderate | ... | |
| GFN | Moderate | ... | |
| Stress test | | ... | |
| Long term | ... | Moderate | The long-term modules suggest a moderate overall level of risk but contain substantial uncertainty. Lithuania's expected worsening demographic conditions over the long term will likely lead to higher pension and healthcare costs, suggesting long-run demographic risks. Amortizations risks are elevated. |
| Sustainability assessment 2/ | ... | ... | Not required for surveillance countries |
| Debt stabilization in the baseline | | | No |

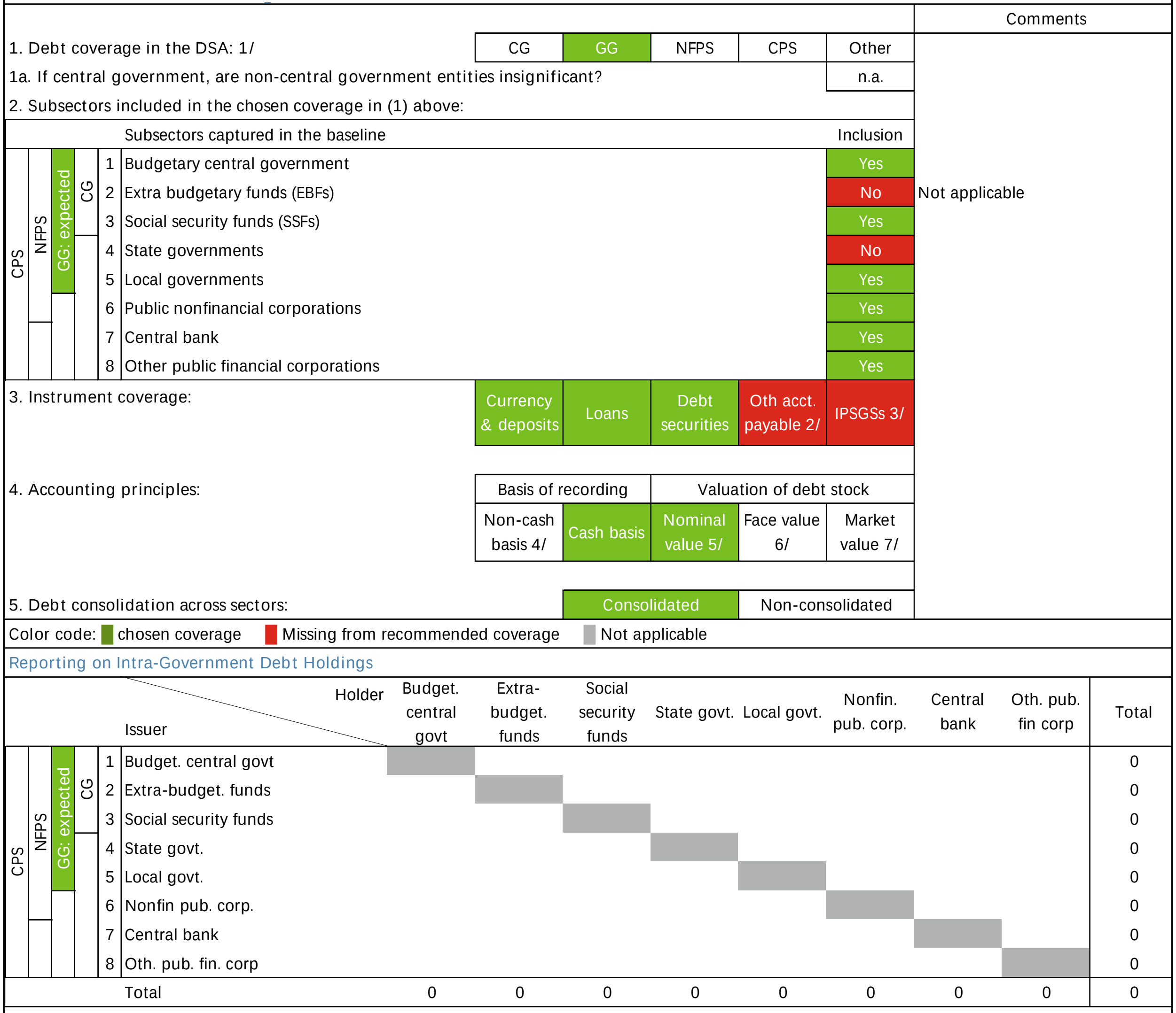
### DSA Summary Assessment

Commentary: Lithuania is at low overall risk of sovereign stress with sustainable public debt. Public debt, currently around 40 percent of GDP, is expected to approach 60 percent over the medium term but does not stabilize. Lithuania should continue with structural reforms and a comprehensive fiscal reform as defense spending has risen and further spending pressures from interest costs, health care and pension add to them. In the absence of consolidation, a shift to a "moderate'" overall assessment may become warranted.
While the medium and long-term assessments point to a moderate level of sovereign stress factors outside the model mitigate risk: First, historically strong policy choices in line with the national fiscal rule have re-anchored debt levels after major shocks and the newly adopted fiscal framework in line with EU rules aims at anchoring debt below 60 percent of GDP. Second, as a member of the euro area, Lithuania has a broad investor base and can rely on the ECB's stabilizing role.

Overall, fiscal consolidation is warranted to stabilize debt well below 60 percent of GDP and keep ample fiscal buffers against future shocks and rising spending pressures.

Source: Fund staff.
Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.
1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.
2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

## Annex IV. Figure 2. Debt Coverage and Disclosures



| | | | | | | Comments |
|---|---|---|---|---|---|---|
| 1. Debt coverage in the DSA: 1/ | CG | 🟩 GG | NFPS | CPS | Other | |
| 1a. If central government, are non-central government entities insignificant? | | | | | n.a. | |
| 2. Subsectors included in the chosen coverage in (1) above: | | | | | | |

| CPS | NFPS | GG: expected | CG | | Subsectors captured in the baseline | Inclusion | Comments |
|---|---|---|---|---|---|---|---|
| CPS | NFPS | GG: expected | CG | 1 | Budgetary central government | 🟩 Yes | |
| | | | | 2 | Extra budgetary funds (EBFs) | 🟥 No | Not applicable |
| | | | | 3 | Social security funds (SSFs) | 🟩 Yes | |
| | | | | 4 | State governments | 🟥 No | |
| | | | | 5 | Local governments | 🟩 Yes | |
| | | | | 6 | Public nonfinancial corporations | 🟩 Yes | |
| | | | | 7 | Central bank | 🟩 Yes | |
| | | | | 8 | Other public financial corporations | 🟩 Yes | |

| 3. Instrument coverage: | | | | | |
|---|---|---|---|---|---|
| | 🟩 Currency & deposits | 🟩 Loans | 🟩 Debt securities | 🟥 Oth acct. payable 2/ | 🟥 IPSGSs 3/ |

| 4. Accounting principles: | Basis of recording | | Valuation of debt stock | | |
|---|---|---|---|---|---|
| | Non-cash basis 4/ | 🟩 Cash basis | 🟩 Nominal value 5/ | Face value 6/ | Market value 7/ |

| 5. Debt consolidation across sectors: | 🟩 Consolidated | Non-consolidated |
|---|---|---|

Color code: 🟩 chosen coverage 🟥 Missing from recommended coverage ▨ Not applicable

Reporting on Intra-Government Debt Holdings

| CPS | NFPS | GG: expected | CG | | Issuer \ Holder | Budget. central govt | Extra-budget. funds | Social security funds | State govt. | Local govt. | Nonfin. pub. corp. | Central bank | Oth. pub. fin corp | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CPS | NFPS | GG: expected | CG | 1 | Budget. central govt | ▨ | | | | | | | | 0 |
| | | | | 2 | Extra-budget. funds | | ▨ | | | | | | | 0 |
| | | | | 3 | Social security funds | | | ▨ | | | | | | 0 |
| | | | | 4 | State govt. | | | | ▨ | | | | | 0 |
| | | | | 5 | Local govt. | | | | | ▨ | | | | 0 |
| | | | | 6 | Nonfin pub. corp. | | | | | | ▨ | | | 0 |
| | | | | 7 | Central bank | | | | | | | ▨ | | 0 |
| | | | | 8 | Oth. pub. fin. corp | | | | | | | | ▨ | 0 |
| | | | | | Total | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.

2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.

3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.

4/ Includes accrual recording, commitment basis, due for payment, etc.

5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).

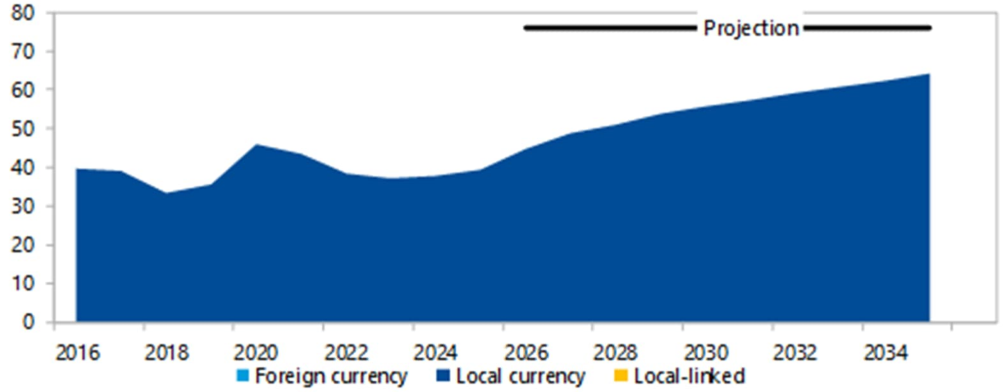
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.

7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: The coverage in this SRDSF is the general government. Debt is consolidated across central government, local governments and social security funds.

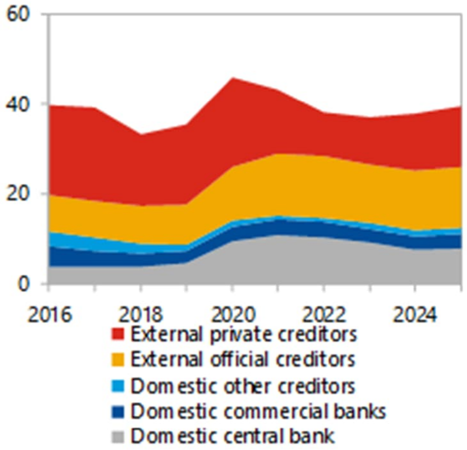
## Annex IV. Figure 3. Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



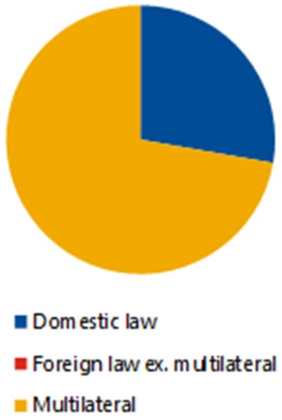
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



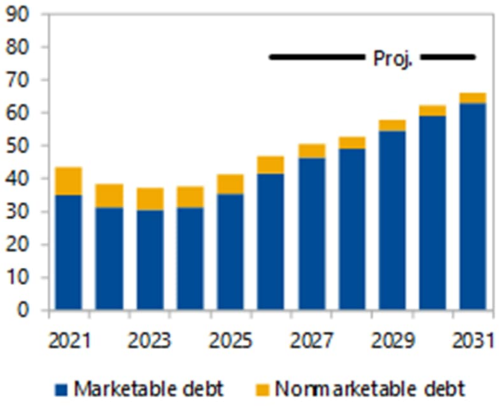
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2025 (percent)



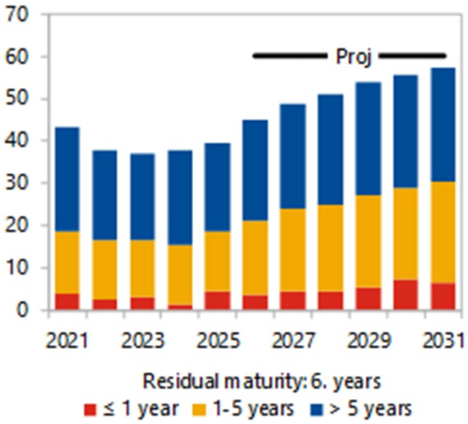
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)

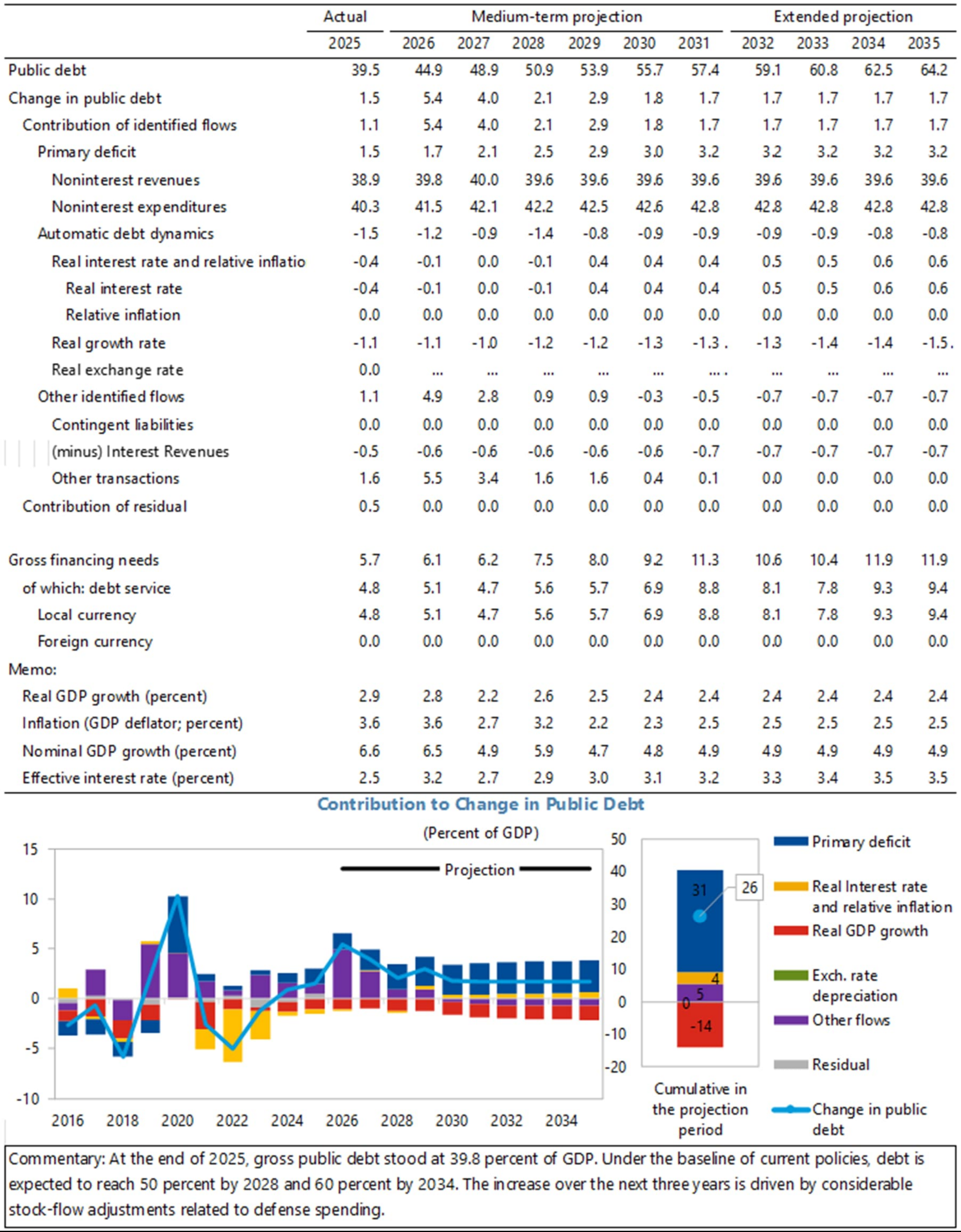


Note: The perimeter shown is general government.

Commentary: Since the euro introduction, Lithuania does not hold any foreign-currency denominated debt. The residual maturity of debt is around 6 years and around two thirds are foreign-held.

## Annex IV. Figure 4. Baseline Scenario

(Percent of GDP unless indicated otherwise)



| | Actual | Medium-term projection | | | | | | Extended projection | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
| Public debt | 39.5 | 44.9 | 48.9 | 50.9 | 53.9 | 55.7 | 57.4 | 59.1 | 60.8 | 62.5 | 64.2 |
| Change in public debt | 1.5 | 5.4 | 4.0 | 2.1 | 2.9 | 1.8 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 |
| Contribution of identified flows | 1.1 | 5.4 | 4.0 | 2.1 | 2.9 | 1.8 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 |
| Primary deficit | 1.5 | 1.7 | 2.1 | 2.5 | 2.9 | 3.0 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 |
| Noninterest revenues | 38.9 | 39.8 | 40.0 | 39.6 | 39.6 | 39.6 | 39.6 | 39.6 | 39.6 | 39.6 | 39.6 |
| Noninterest expenditures | 40.3 | 41.5 | 42.1 | 42.2 | 42.5 | 42.6 | 42.8 | 42.8 | 42.8 | 42.8 | 42.8 |
| Automatic debt dynamics | -1.5 | -1.2 | -0.9 | -1.4 | -0.8 | -0.9 | -0.9 | -0.9 | -0.9 | -0.8 | -0.8 |
| Real interest rate and relative inflatio | -0.4 | -0.1 | 0.0 | -0.1 | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 | 0.6 | 0.6 |
| Real interest rate | -0.4 | -0.1 | 0.0 | -0.1 | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 | 0.6 | 0.6 |
| Relative inflation | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Real growth rate | -1.1 | -1.1 | -1.0 | -1.2 | -1.2 | -1.3 | -1.3 | -1.3 | -1.4 | -1.4 | -1.5 |
| Real exchange rate | 0.0 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Other identified flows | 1.1 | 4.9 | 2.8 | 0.9 | 0.9 | -0.3 | -0.5 | -0.7 | -0.7 | -0.7 | -0.7 |
| Contingent liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| (minus) Interest Revenues | -0.5 | -0.6 | -0.6 | -0.6 | -0.6 | -0.6 | -0.7 | -0.7 | -0.7 | -0.7 | -0.7 |
| Other transactions | 1.6 | 5.5 | 3.4 | 1.6 | 1.6 | 0.4 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Contribution of residual | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | | | | | | |
| Gross financing needs | 5.7 | 6.1 | 6.2 | 7.5 | 8.0 | 9.2 | 11.3 | 10.6 | 10.4 | 11.9 | 11.9 |
| of which: debt service | 4.8 | 5.1 | 4.7 | 5.6 | 5.7 | 6.9 | 8.8 | 8.1 | 7.8 | 9.3 | 9.4 |
| Local currency | 4.8 | 5.1 | 4.7 | 5.6 | 5.7 | 6.9 | 8.8 | 8.1 | 7.8 | 9.3 | 9.4 |
| Foreign currency | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Memo: | | | | | | | | | | | |
| Real GDP growth (percent) | 2.9 | 2.8 | 2.2 | 2.6 | 2.5 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 |
| Inflation (GDP deflator; percent) | 3.6 | 3.6 | 2.7 | 3.2 | 2.2 | 2.3 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| Nominal GDP growth (percent) | 6.6 | 6.5 | 4.9 | 5.9 | 4.7 | 4.8 | 4.9 | 4.9 | 4.9 | 4.9 | 4.9 |
| Effective interest rate (percent) | 2.5 | 3.2 | 2.7 | 2.9 | 3.0 | 3.1 | 3.2 | 3.3 | 3.4 | 3.5 | 3.5 |

**Contribution to Change in Public Debt**

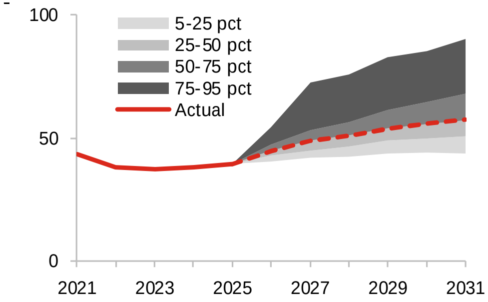
(Percent of GDP)

Commentary: At the end of 2025, gross public debt stood at 39.8 percent of GDP. Under the baseline of current policies, debt is expected to reach 50 percent by 2028 and 60 percent by 2034. The increase over the next three years is driven by considerable stock-flow adjustments related to defense spending.

## Annex IV. Figure 5. Realism of Baseline Assumptions

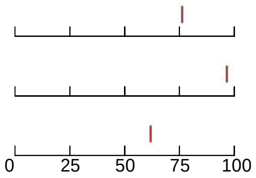
### Lithuania: Medium-Term Risk Assessment

Final Fanchart (Percent of GDP)

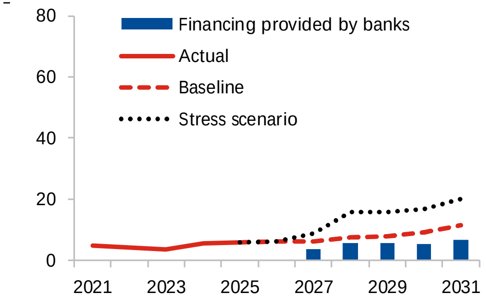


| | Value | Contrib 1/ |
|---|---|---|
| **Debt fanchart module** | | |
| Fanchart width *(percent of GDP)* | 46.5 | 0.7 |
| Probability of debt non-stabilizaiton *(percent)* | 100.0 | 0.8 |
| Terminal debt-to-GDP x institutions index | 16.0 | 0.3 |
| Debt fanchart index (DFI) | | 1.9 |
| Risk signal: 3/ | | Moderate |

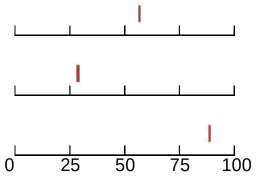
Percentile in peer group 2/



Gross Financing Needs (Percent of GDP)



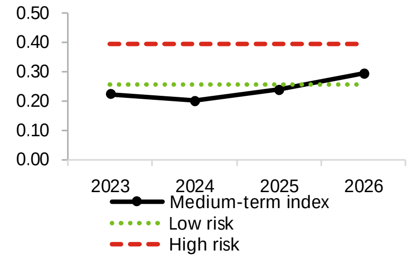
| | Value | Contrib 1/ |
|---|---|---|
| **Gross financing needs (GFN) module** | | |
| Average baseline GFN *(percent of GDP)* | 8.0 | 2.7 |
| Initial Banks' claims on the gen. govt *(pct bank assets)* | 3.3 | 1.1 |
| Chg. In banks' claims in stress *(pct banks' assets)* | 15.5 | 5.2 |
| GFN financeability index (GFI) | | 9.0 |
| Risk signal: 4/ | | Moderate |



Triggered stress tests (stress tests not activated in gray)

Banking crisis
Commodity prices
Exchange rate
Contingent liab.
Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

| | Value | (normalized) | Weight | Contribution |
|---|---|---|---|---|
| Debt fanchart index | 1.9 | 0.4 | 0.5 | 0.2 |
| GFN finaceability index | 9.0 | 0.2 | 0.5 | 0.1 |
| Medium-term index | | 0.3 | | |
| Risk signal: 5/ | | Moderate | | |
| Final assessment: | | Moderate | | |

Prob. of missed crisis, 2026-2031, if stress not predicted: 18.2 pct.
Prob. of false alarms, 2026-2031, if stress predicted: 30.7 pct.

Commentary: The medium-term tools point to a moderate level of risk. The debt fanchart largely due to a high probability of debt non-stabilization and a large width. The GFN financing needs module largely due to a change in bank's claims in a stress scenario while under the baseline GFN are at an average level compared to peers. The medium-term index moved from low risk to moderate risk from 2025 to 2026.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is advanced economies, non-commodity exporter, surveillance.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

## Annex IV. Figure 6. Medium-Term Risk Assessment

### Lithuania: Realism of Baseline Assumptions

| **Forecast Track Record 1/** | **t+1** | **t+3** | **t+5** |
|---|---|---|---|
| **Public debt to GDP** | 🟢 | 🟢 | 🟢 |
| **Primary deficit** | 🟢 | 🟩 | 🟩 |
| **r - g** | 🟢 | 🟢 | 🟢 |
| **Exchange rate depreciaton** | 🟧 | 🟧 | 🟢 |
| **SFA** | 🟩 | 🟩 | 🟩 |
|  | **real-time** | **t+3** | **t+5** |
| **Historical Output Gap Revisions 2/** | 🟢 | 🟢 | 🟧 |

**Comparator Group:**

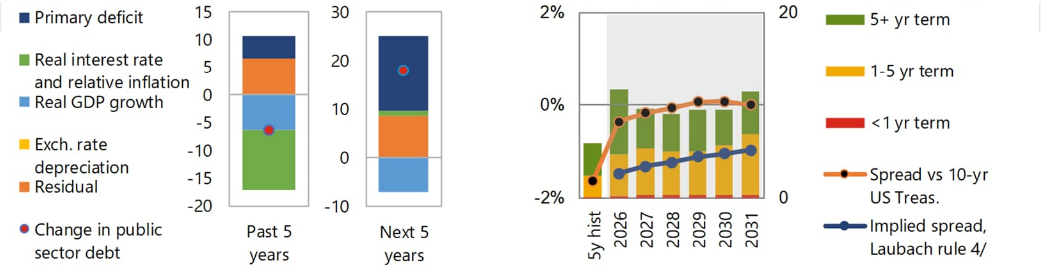
Advanced Economies, Non-Commodity Exporter, Surveillance

**Color Code:**

| | |
|---|---|
| Optimistic | 🟥 > 75th percentile |
| | 🟧 50-75th percentile |
| Pessimistic | 🟢 25-50th percentile |
| | 🟩 < 25th percentile |

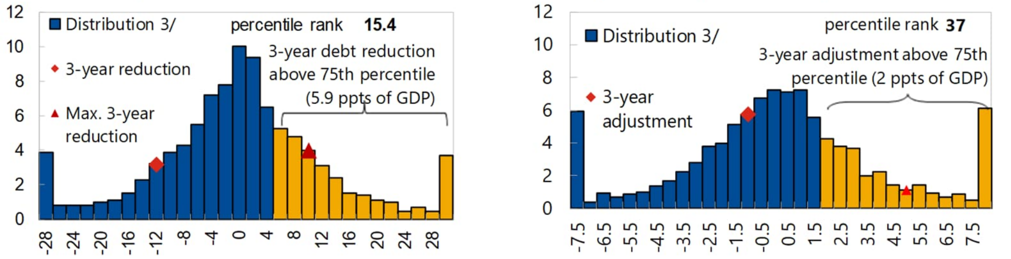
**Public Debt Creating Flows**
(Percent of GDP)

**Bond Issuances** (Bars, debt issuances (RHS, %GDP); lines, avg marginal interest rates (LHS, percent))



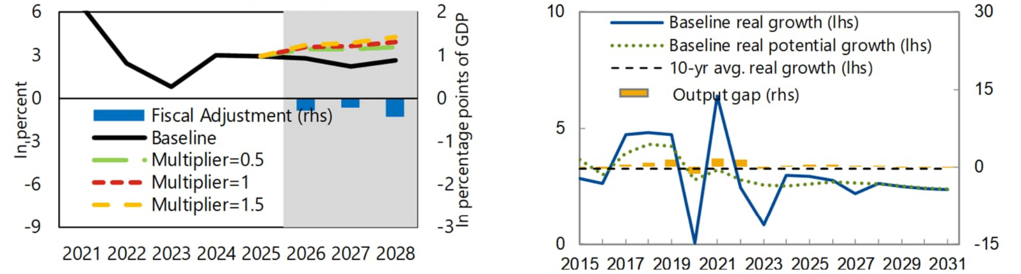
**3-Year Debt Reduction**
(Percent of GDP)

**3-Year Adjustment in Cyclically-Adjusted Primary Balance** (Percent of GDP)



**Fiscal Adjustment and Possible Growth Paths**
(Lines, real growth using multiplier (LHS); bars, fiscal adj. (RHS))

**Real GDP Growth**
(In percent)



Commentary: Realism analysis does not point to major concerns.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates

3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

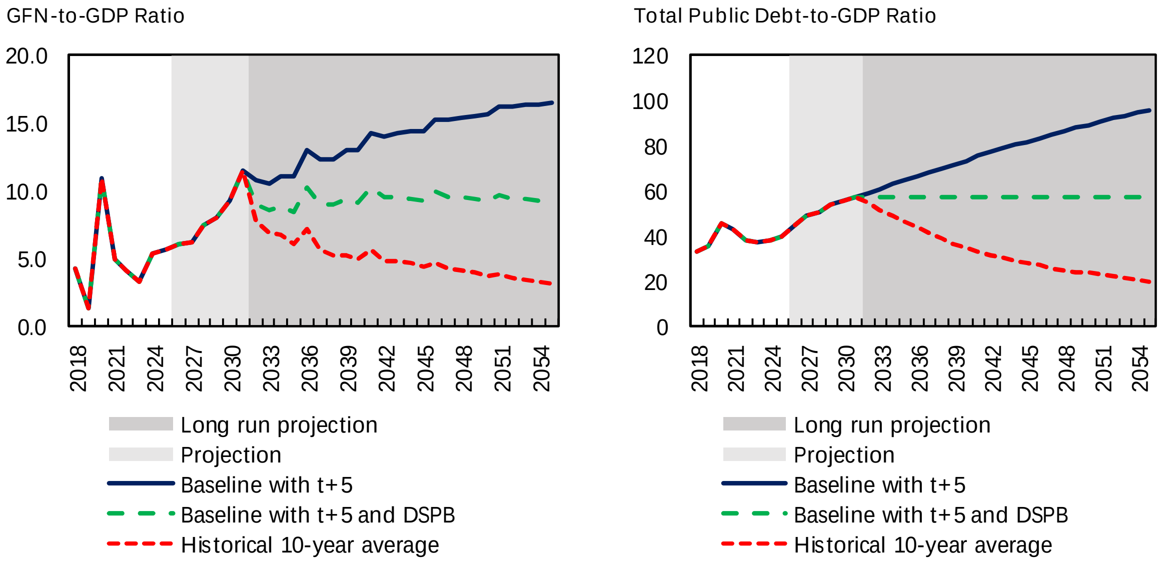
## Annex IV. Figure 7. Long-term Risk Assessment: Large Amortization

### Lithuania: Triggered Modules

| | | | |
|---|---|---|---|
| Large amortizations | Pensions | Climate change: Adaptation | Natural Resources |
| | Health | Climate change: Mitigation | |

### Lithuania: Long-Term Risk Assessment: Large Amortization

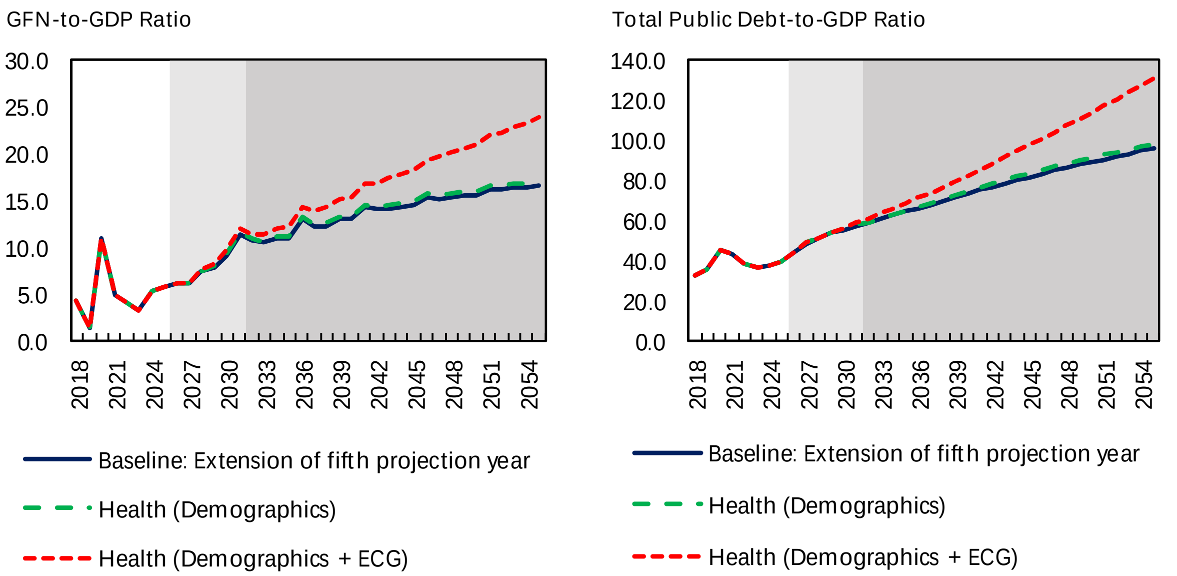
| Projection | Variable | Risk Indication |
|---|---|---|
| Medium-term extrapolation | GFN-to-GDP ratio | 🟥 |
| | Amortization-to-GDP ratio | 🟥 |
| | Amortization | 🟥 |
| Medium-term extrapolation with debt stabilizing primary balance | GFN-to-GDP ratio | 🟥 |
| | Amortization-to-GDP ratio | 🟥 |
| | Amortization | 🟥 |
| Historical average assumptions | GFN-to-GDP ratio | 🟥 |
| | Amortization-to-GDP ratio | 🟥 |
| | Amortization | 🟥 |
| Overall Risk Indication | | 🟥 |



Commentary: The amortizaion module points to risks when extrapolating the t+5 baseline.

## Annex IV. Figure 8. Long-term Risk Assessment: Demographics Health

### Lithuania: Demographics: Health



Commentary: Lithuania's demographic conditions are expected to worsen over the long term as the working-age population declines amid rapid aging. In this context, this illustrative module provides long-term simulations of the future path of healthcare expenditures arising from changing demographics and other factors that increase health costs. Including ECG (external, contingent and government) liabilities in health expenditures in line with demographic trends, GFN and debt-to-GDP are expected to accelerate, pointing to long-term risks.

# Annex V. Domestic Reforms

*Domestic reforms should focus on four mutually reinforcing pillars: (i) reducing regional labor market imbalances and productivity gaps; (ii) improving capital mobilization; (iii) enhancing innovation capacity and digital diffusion; and (iv) improving energy price competitiveness and energy security.*

| Pillar | Issues | Causes | Suggested reforms |
|---|---|---|---|
| Reduce regional labor-market imbalances and productivity gaps | • High unemployment rate, especially in rural areas, alongside high job vacancy rate;<br>• Large regional productivity gaps, with growth concentrated in cities. | • Persistent skills mismatch and shortages, especially lack of skilled labor in lagging regions;<br>• Recent social benefits increases may have weakened work incentives at the margin, especially outside major cities;<br>• Weaker infrastructure and connectivity outside major cities;<br>• High home ownership and small rental market limit labor mobility. | • Upgrade transport and digital infrastructure, especially in lagging regions to connect talents with opportunities nationwide;<br>• Strengthen education and training systems to better match labor market needs, by scaling up reskilling and active labor market policies. . Concrete policies include boosting and stabilizing active labor market policies funding (by reallocating EU and domestic funds for Active Labor Market Policy programs, with EU funds covering short-term programs and domestic funding used for long-term commitments, so that long-term programs are not exposed to EU funding cycles), the evaluation of current trainings on skills and employability, scaling skills profiling tools and micro credentials, targeting the individuals who need it the most, increasing the funding of universities giving degrees in the most demanded fields, increasing the work experience component in vocational education and training programs and better aligning them with regional needs, digitalizing employment services, and encouraging firms-provided training;<br>• Better target social benefits by making them more means-tested so that they preserve work incentives while ensuring adequacy and make unemployment benefits accessible only for unvoluntary labor contract termination (and not in case of worker resignation);<br>• To address labor shortages: ensure timely and efficient processing of work permit applications for foreign workers alongside strengthening migrants integration, extend and make more flexible residence permits for applicants who meet specific qualification, experience, and integration criteria;<br>• Encourage the labor market participation of the older workers by continuing to focus on the enforcement of anti-age discrimination laws and awareness campaigns to combat negative attitudes towards older workers, implementing tax incentives to stay in work and reskilling efforts, providing individualized counselling and coaching and proactive outreach towards employers;<br>• Enhance labor mobility by improving regional mobility support, and by expanding affordable, quality rental housing, especially for low-income and vulnerable groups, by renovating and increasing the size of the social and municipal rental stock, simplifying administrative landlord procedures and increasing financial incentives (e.g. grants, tax advantages). |

| Pillar | Issues | Causes | Suggested reforms |
|---|---|---|---|
| Improve capital mobilization | • Shallow capital markets and limited non-bank financing constrain SME growth and innovation.<br>• Even with traditional bank financing, SMEs face persistent constraints, including high collateral requirements and borrowing costs. | • Small market scale constrains liquidity, investor depth, and the emergence of capital markets of minimum efficient scale;<br>• Small domestic institutional investor base and low retail investor participation as household wealth is concentrated in housing and deposits, limiting domestic risk capital;<br>• Bank-dominated and concentrated financial system with conservative collateral-based underwriting; continued reliance on bank, internal, and trade-credit financing;<br>• Recent Pillar II pension withdrawals will reduce the pool of long-term domestic capital. | • Increase scale and liquidity by broadening non-bank financing channels, such as venture capital, private equity, securitization, SMEs bond market and crowdfunding, extending the stock market listing of SOEs, leveraging EU-funded instruments, and pushing further the joint Baltic capital market, harmonizing tax and regulatory frameworks, and strengthening cross-border investments;<br>• Mobilize domestic institutional investors and long-term savings by ensuring pension adequacy and sustainability, encouraging continued voluntary participation, reducing incentives for early withdrawals, and strengthening financial education and trust in investment advice.<br>• Expand alternative financing to spur SME growth and innovation via ensuring ILTE fills financing gaps and scaling up its lending by sharing risk through guarantees and co-lending, and the promotion of fintech-based financing by strengthening regulation, scaling digital payments, and raising digital financial literacy. |
| Enhance innovation capacity and digital diffusion | • Weak innovation and digital skills constrain productivity growth. | • Weak business-research links;<br>• Fragmented research system;<br>• Insufficient private sector R&D incentives;<br>• Relatively low basic digital skills among the population;<br>• Uneven broadband coverage. | • Encourage R&D, especially in the private sector by strengthening the tax incentive, the awareness about it, by clarifying what qualifies as R&D and by developing direct public funding for SMEs;<br>• Strengthen business–research collaboration, by incentivizing financially the completion doctoral studies in highly demanded fields like science, technology, engineering and mathematics (STEM);<br>• Strengthen basic digital skills across the population by assessing the 2022 digital literacy curriculum's impact on students' digital skills and refine it as needed, and creating a program dedicated to adults;<br>• Expand high-speed broadband;<br>• Further streamline and digitalize e-government to reduce administrative burdens and support technology adoption. |
| Improve energy price competitiveness and energy security | • Energy prices, while below the EU average, can still be lowered;<br>• High exposure to external energy price shocks. | • Significant energy-imports dependence. | • Continue to expand renewable capacity – especially wind energy, where Lithuania has strong potential – by crowding in private capital through long-term project pipelines and risk-sharing instruments (loans/guarantees);<br>• Swiftly reduce reliance on imported fuels by accelerating fossil-fuel phase-out, including by strengthening the electric vehicles uptake via the evaluation of the current financial incentives, increasing the number of public charging stations, and implementing a social leasing mechanism for lower income households to stimulate demand;<br>• Urgently increase electricity storage capacity and modernize electricity grids;<br>• Invest in low-emission transportation, including further railways electrification. |

# Annex VI. Selected EU Single Market Reforms

*Beyond domestic reforms, deepening the EU Single Market—through product market, labor market, and capital market integration—is vital for Lithuania's productivity and growth, as Europe is its largest importer. Cutting trade barriers and advancing initiatives including the Savings and Investment Union, a 28th corporate regime, the EU labor market integration,*[1] *and the Energy Union could boost EU GDP by over 3 percent by 2035.*[2]

| Reform | Key elements | Expected effects |
|---|---|---|
| Savings and Investment Union | Harmonize EU capital markets. | Easier access to equity financing and IPO markets for startups and SMEs, supporting innovation and growth. |
| 28th corporate regime | Offer a unified, voluntary EU framework for governance, accounting, and tax. Legislation is expected in early 2026. | Simpler and more attractive cross-border expansion for businesses, especially for Lithuania's services exporters. |
| Digital euro | Introduce a pan-euro area digital means of payment, complementing cash and existing electronic payments. | Strengthen EU financial integration and enable efficient, low-cost cross-border payments, while ensuring banking stability. |
| Integrated European energy markets | Deepen EU energy-markets integration through better-coordinated policies and investments, greater resource pooling and streamlined permitting processes. | Lower and less volatile energy prices; improved energy security; faster renewables deployment; enhanced cost competitiveness.. |
| Unified EU labor market | Reduce cross-border mobility frictions, via improved recognition of qualifications, portability of social and pension rights, and removal of regulatory barriers. | Enhanced worker mobility across the EU; better skill-job matching; reduced labor and skills shortages, supporting productivity growth and easing structural constraints. |

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[1] See Arnold et al. (2025).

[2] IMF (2025) Euro Area Policies and IMF (2025) EUR Regional Economic Outlook, October 2025.

# Annex VII. Data Issues

## Annex VII. Table 1. Lithuania: Data Adequacy Assessment for Surveillance

| Data Adequacy Assessment Rating 1/ |
|---|
| A |

| Questionnaire Results 2/ | | | | | | | |
|---|---|---|---|---|---|---|---|
| Assessment | National Accounts | Prices | Government Finance Statistics | External Sector Statistics | Monetary and Financial Statistics | Inter-sectoral Consistency | Median Rating |
| | B | A | A | A | A | A | A |

| Detailed Questionnaire Results | | | | | | | |
|---|---|---|---|---|---|---|---|
| Data Quality Characteristics | | | | | | | |
| Coverage | B | A | A | A | A | | |
| Granularity 3/ | B | | A | A | A | | |
| | | | A | | A | | |
| Consistency | | | A | B | | A | |
| Frequency and Timeliness | A | A | A | A | A | | |

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.

1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.

2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance* , January 2024, Appendix I).

3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

| | |
|---|---|
| A | The data provided to the Fund is adequate for surveillance. |
| B | The data provided to the Fund has some shortcomings but is broadly adequate for surveillance. |
| C | The data provided to the Fund has some shortcomings that somewhat hamper surveillance. |
| D | The data provided to the Fund has serious shortcomings that significantly hamper surveillance. |

Rationale for staff assessment. Data collection and dissemination is overall adequate for surveillance. Some open issues remain: i) Sectoral breakdown of non-financial accounts at quarterly basis are not produced which hampers surveillance, ii) significant net errors and omissions in the BoP, iii) large volatility of the inventories component in National Accounts, signaling potential measurement issues between supply and demand estimations of GDP.

Changes since the last Article IV consultation. No changes.

Corrective actions and capacity development priorities. There are currently no plans to produce quarterly data for the non-financial accounts, nor to enhance the estimation of Errors and Omissions and inventories. Apart from this item, there are no macro-critical needs for adjustments.

Use of data and/or estimates different from official statistics in the Article IV consultation. No surveillance need for third-party data.

Other data gaps. The release of the quarterly non-financial accounts at the sectoral level would enhance surveillance, while facilitating the understanding of investment and saving decisions of private sectors. While being not mandatory by Eurostat, it would also complete the picture from the National Accounts.

## Annex VII. Table 2. Lithuania: Data Standards Initiatives

Lithuania adheres to the Special Data Dissemination Standard (SDDS) Plus since July 2018 and publishes the data on its National Summary Data Page. The latest SDDS Plus Annual Observance Report is available on the Dissemination Standards Bulletin Board (https://dsbb.imf.org/).

## Annex VII. Table 3. Lithuania: Table of Common Indicators Required for Surveillance

*As of June 18, 2026*

| | Data Provision to the Fund | | | | Publication under the Data Standards Initiatives through the National Summary Data Page | | | |
|---|---|---|---|---|---|---|---|---|
| | Date of Latest Observation | Date Received | Frequency of Data[7] | Frequency of Reporting[7] | Expected Frequency[7,8] | Announced Frequency[9] | Expected Timeliness[7,8] | Announced Timeliness[9] |
| Exchange Rates | 2026-06-18 | 2026-06-18 | D | D | D | D | … | D |
| International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1] | 2026-05 | 2026-06 | M | M | M | M | 1M (1W encouraged) | NLT 10D |
| Reserve/Base Money | 2026-04 | 2026-06 | M | M | M (W encouraged ) | M | 2W (1W encouraged) | NLT 2W |
| Broad Money | 2026-04 | 2026-06 | M | M | M | M | 1M | NLT 1M |
| Central Bank Balance Sheet | 2026-05 | 2026-06 | M | M | M (W encouraged ) | M | 2W (1W encouraged) | NLT 2W |
| Consolidated Balance Sheet of the Banking System | 2026-04 | 2026-06 | M | M | M | M | 1M | NLT 1M |
| Total assets of other depository corporations[2] | 2026-04 | 2026-06 | Q | Q | M | M | 1M | NLT 1M |
| Total credit from other depository corporations[2] | 2026-04 | 2026-06 | Q | Q | M | M | 1M | NLT 1M |
| Interest Rates[3] | 2026-06-18 | 2026-06-18 | D | D | D | D | … | D |
| Consumer Price Index | 2026-05 | 2026-06 | M | M | M | M | 1M | NLT 10D |
| Revenue, Expenditure, Balance and Composition of Financing[4]-General Government[5] | 2026-03 | 2026-06 | Q | Q | Q | Q | 12M | 3M |

## Annex VII. Table 3. Lithuania: Table of Common Indicators Required for Surveillance

*As of June 18, 2026*

(Concluded)

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Revenue, Expenditure, Balance and Composition of Financing[4]-Central Government | 2026-03 | 2026-06 | Q | Q | M | M | 1M | NLT 1M |
| Stocks of Central Government and Central Government-Guaranteed Debt[6] | 2026-03 | 2026-06 | Q | Q | Q | M | 1Q | NLT 1M |
| Total stock of General Government Debt[5] | 2026-03 | 2026-06 | Q | Q | Q | Q | 4M | 4M |
| External Current Account Balance | 2026-04 | 2026-06 | Q | Q | Q | Q | 12-13W | 12-13W |
| Exports and Imports of Goods and Services | 2026-04 | 2026-06 | Q | Q | M | M | 8W (4-6W encouraged) | 40 D |
| GDP/GNP | 2026-03 | 2026-06 | Q | Q | Q | Q | 1Q | 60D |
| Gross External Debt | 2025-12 | 2026-06 | Q | Q | Q | Q | 1Q | NLT 3M |
| International Investment Position | 2025-12 | 2026-06 | Q | Q | Q | Q | 1Q | 12-13W |

[1] Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

[2] Other depository corporations include all deposit-taking corporations (except for the central bank) and money market funds.

[3] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[4] Foreign, domestic bank, and domestic non-bank financing.

[5] The general government consists of the central government (budgetary funds, extra-budgetary funds, and social security funds) and state and local governments. The total stock of general government debt is required for SDDS Plus countries and encouraged for SDDS and e-GDDS countries.

[6] Including currency and maturity composition.

[7] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semi-annual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

[8] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan. Indicators that are not in the IMF Data Standards Initiatives are shown as "...".

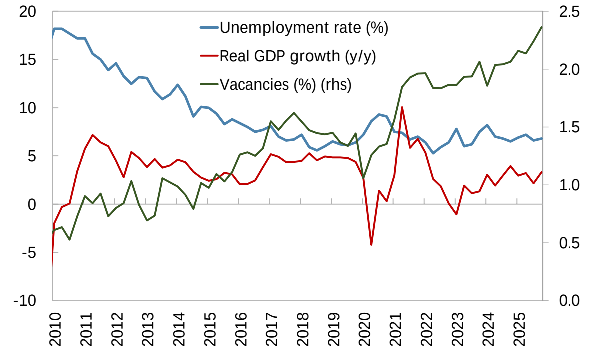
[9] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".

# Annex VIII. Structural Unemployment in Lithuania[1]

1. **Unemployment remains elevated and concentrated in some categories of population despite robust growth.** Lithuania's unemployment rate has broadly stayed at around 7 percent since 2018 despite sustained growth and rising vacancies, suggesting that labor market frictions are preventing it from falling further. Unemployment is concentrated among youth, older workers, lower-educated workers, and residents outside major economic centers, while long-term unemployment remains sizable. This pattern points to a significant structural component of unemployment, with implications for potential growth.

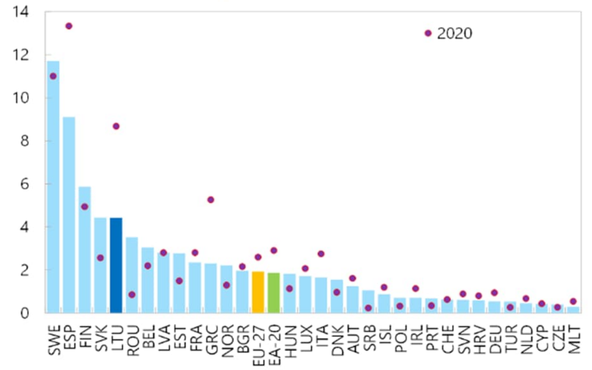
Lithuania: Unemployment, Growth and Vacancies

(percent, percent y/y)



Sources: Haver Analytics, Eurostat, Lithuania Department of Statistics.

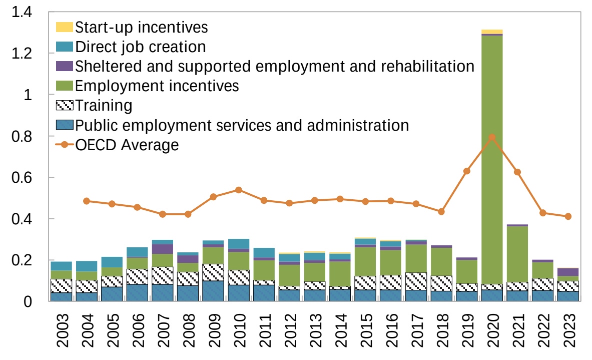
**Skills Mismatch Index, 2024**



Source: Eurostat; and IMF staff calculations.

Lithuania: ALMP Expenditures by Program Type

(percent of GDP)



Sources: OECD.

2. **This high structural unemployment could be explained by skills mismatch, insufficient active labor market policies, labor mobility frictions, or the design of unemployment benefits.** First, skills mismatch remains elevated relative to many European peers, even though it has declined in recent years. Structural change toward higher value-added activities has increased demand for technical, digital, and managerial skills, while some jobseekers lack the qualifications needed for expanding sectors. Active labor market policies (ALMPs) would help but remain limited in scale and participation. Spending has fluctuated around 0.2 percent of GDP—less than half the OECD average—and participation rates remain low compared with peers. Second, geographic mobility frictions hinder matching between workers and jobs. Regional disparities in vacancies and unemployment, together with a high homeownership rate and a shallow rental market, limit relocation and commuting toward regions where labor demand is strongest. Third, the current social benefit design may weaken work incentives at the margin for some groups. Minimum income benefits have risen over time and are now represent a sizable share of the median

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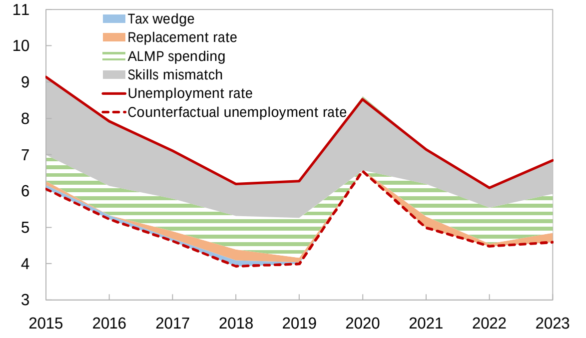
[1] This annex is based on the accompanying Selected Issues Paper IMF, 2026, "Structural Unemployment in Lithuania".

disposable income. High effective marginal tax rates—due to benefit withdrawal combined with childcare and transport costs—can reduce the financial gain from returning to work, particularly for second earners. The possibility for workers to get unemployment benefits even when they quit their job voluntarily can also encourage repeated returns to unemployment.

3. **Skills mismatch and too low ALMPs seem to be the main drivers of unemployment.** A panel regression using annual data for 22 EU countries over 2001–23 finds that higher skills mismatch and lower spending on ALMPs are associated with higher unemployment. The net replacement rate in unemployment is also associated with higher unemployment, even though its coefficient is not significant. The analysis also points to an important role for investment conditions: stronger capital accumulation is associated with lower unemployment, whereas higher real interest rates are associated with higher unemployment. A counterfactual exercise suggests that, if Lithuania's structural factors moved closer to better-performing EU peers (the 25th percentile), the unemployment rate could decline by more than 2 percentage points, from about 7 percent to 4.6 percent, with the largest gains coming from lower skills mismatch and stronger ALMPs. Moreover, this reduction in unemployment coupled with a tightening of access to benefits for voluntary job separation could imply a sizable improvement in the fiscal balance of up to 0.9 percent of GDP.

Contributions to Counterfactual Unemployment Rate

(percent)



Sources: IMF staff estimates. Notes: Counterfactual characteristics at 25th percentile, ALMP spending at 75th percentile.

Table: Structural Variables Underlying Counterfactual

| 2023 Values | Average labor tax wedge | Average replacement rate | ALMP spending / unemploy-ment rate | Skills mis-match |
|---|---|---|---|---|
| Lithuania | 37.1 | 55.0 | 0.02 | 4.3 |
| Sample mean | 39.7 | 53.6 | 0.10 | 2.6 |
| Counterfactual (25 perc.)* | 37.5 | 47.6 | 0.13 | 0.8 |

*75th percentile for ALMP spending.

4. **Reducing structural unemployment requires a coherent reform package.** Priorities include: (i) scaling up and better targeting ALMPs, especially training and job-matching for older and lower-skilled workers while ensuring stable financing for ALMPs; (ii) improving vocational, tertiary, and lifelong learning systems to align skills with labor market needs, including digital skills; (iii) easing housing, rental, transport, and commuting constraints to improve labor mobility; and (iv) recalibrating benefits to preserve adequacy while strengthening work incentives, including through smoother tapering, tighter conditionality, and stronger links to job search and participation in activation programs. Taken together, such reforms would improve labor matching, lower equilibrium unemployment, and raise potential growth.

# Annex IX. Financing Constraints and Growth Challenges of Lithuanian SMEs[1]

*Small and medium-sized enterprises (SMEs)[2] play a central role in Lithuania's economy but face persistent challenges that constrain investment, productivity, and firm growth. Limited access to finance, alongside labor and skills shortages, weighs on SMEs' ability to scale up. This annex reviews these challenges using firm level survey evidence and examines both demand side and supply side factors that limit SME financing and expansion. The analysis points to the need for a holistic reform agenda that deepens SME financing – by mobilizing long term savings, expanding non-bank financing channels, and strengthening EU capital market integration – complemented by policies to ease labor and skills constraints.*

1. **SMEs play a pivotal role in Lithuania's economy but face persistent constraints that weigh on growth and productivity.** SMEs account for most firms and a large share of employment and value added, making their performance macro-critical. However, their ability to invest, innovate, and scale up is hampered by financing constraints and real-sector bottlenecks. Surveys highlight competition, labor and skills shortages, and rising production costs as dominant challenges alongside access to finance. Skill shortages, particularly in digital and technical fields, impede technology adoption and innovation.

2. **Corporate financing continues to face constraints due to the dominance of banks, conservative risk management practices, and a lack of alternative funding options.** Financing is heavily dependent on a few banks that operate under cautious risk frameworks, which, while supporting stability, restricts risk-taking and the availability of credit for smaller firms. As a result, even with a solid banking system, bank financing remains limited. High collateral requirements and the scarcity of alternative financing sources contribute to a significant funding gap for SMEs. Additionally, high borrowing costs and variable-rate lending make SMEs more sensitive to changes in monetary policy, further limiting their ability to secure credit—especially for smaller companies. Consequently, due to limited access to external funding, SMEs often turn to internal funds and trade credit to meet their financial needs.

3. **Non-bank and market-based financing channels remain underdeveloped and limited in scale.** Capital markets are shallow, with low liquidity and issuance activity, despite regional integration efforts and gradual growth in alternative financing such as venture capital and crowdfunding. Structural supply-side constraints limit the availability of long-term risk capital. For instance, a small domestic institutional investor base and lower household financial wealth constrain investable funds, while Pillar II pension withdrawals have reduced the supply of patient capital. Demand-side constraints further limit SME financing uptake. A weak pipeline of investable projects in the EU, dominance of micro firms with limited scalability, low demand for equity financing, and

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[1] For details, see the accompanying Selected Issues Paper IMF, 2026, "Financing Constraints and Growth Challenges of Lithuanian SMEs" Lithuania—Selected Issues Paper, IMF Country Report.

[2] SMEs are defined as non-financial enterprises with less than 250 employees.

elevated business churn rate, and often limited financial reporting sophistication reduce the pipeline of firms suitable for external finance.

4. **The main constraint on the development of Lithuanian capital markets—and on SMEs' access to market-based finance—is scale.** Lithuania's small market size, combined with both demand- and supply-side constraints, prevents capital markets from reaching the scale needed to support SME financing effectively. These limitations reflect broader fragmentation in EU financial markets, where insufficient integration and persistent home bias constrain cross-border capital allocation and deepen funding gaps.

5. **A holistic approach is needed to expand financing options and support sustainable growth of Lithuania's SMEs.** SMEs in Lithuania face persistent constraints—including labor shortages, rising costs, and limited access to finance—that weigh on investment and growth. Addressing these challenges requires a comprehensive approach that strengthens workforce availability, improves financing access, and supports firm scale-up to enhance productivity and resilience. Policy options include:

- *Mobilize domestic institutional investors to deepen capital markets*. Pension reform that strengthens adequacy and sustainability would help mobilize long-term domestic savings and support voluntary participation. Combined with stronger financial literacy and trust, this could shift savings toward capital markets and expand long-term financing for firms.

- *Deepen domestic non-bank financing market.* Expanding non-bank financing – such as venture capital, private equity, and SME bond markets – would reduce reliance on banks.

- *Leverage public instruments*. Programs such as InvestEU and EIF guarantees can attract private investors, reduce risk, and help develop local equity and debt markets that are accessible to smaller firms.

- *Scale up ILTE lending* to fill financing gaps through guarantees and co-lending, while strengthening governance and operational transparency and ensuring prudent underwriting standards and adequate risk controls to preserve financial sustainability.

- *Strengthen financial reporting and financial literacy of SMEs* would reduce information gaps and improve access to finance.

- *Harmonize EU Capital Markets*. Deeper EU integration—including initiatives such as the Savings and Investment Union and regional market harmonization—can help overcome constraints of limited liquidity and investor participation by expanding scale.

Collectively, these measures will help broaden financing options for SMEs, promote capital deepening, and reduce vulnerability to banking credit cycles.

INTERNATIONAL MONETARY FUND

# REPUBLIC OF LITHUANIA

## STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

July 9, 2026

| Prepared By | European Department |
|---|---|

## CONTENTS

# FUND RELATIONS

*(As of May 31, 2026)*

Membership Status: Joined: April 29, 1992; Article VIII.

General Resources Account:

| | SDR Million | Percent of Quota |
|---|---|---|
| Quota | 441.60 | 100.00 |
| Fund holdings of currency (Exchange Rate) | 328.42 | 74.37 |
| Reserve Tranche Position | 113.19 | 25.63 |

SDR Department:

| | SDR Million | Percent of Allocation |
|---|---|---|
| Net cumulative allocation | 560.49 | 100.00 |
| Holdings | 560.62 | 100.02 |

Outstanding Purchases and Loans: None

Latest Financial Arrangements:

| Type | Date of Arrangement | Expiration Date | Amount Approved (SDR Million) | Amount Drawn (SDR Million) |
|---|---|---|---|---|
| Stand-By | Aug 30, 2001 | Mar 29, 2003 | 86.52 | 0.00 |
| Stand-By | Mar 08, 2000 | Jun 07, 2001 | 61.80 | 0.00 |
| Stand-By | Oct 24, 1994 | Oct 23, 1997 | 134.55 | 134.55 |

Projected Payments to Fund:

(SDR Million; based on existing use of resources and present holdings of SDRs):

| | Forthcoming | | | |
|---|---|---|---|---|
| | 2026 | 2027 | 2028 | 2029 |
| Principal | | | | |
| Charges/Interest | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 0.00 | 0.00 | 0.00 | 0.00 |

Implementation of HIPC Initiative: Not applicable.

Implementation of MDRI Assistance: Not applicable.

Implementation of Catastrophe Containment and Relief (CCR): Not applicable.

Exchange Rate Arrangement:

The currency of Lithuania is the euro. The exchange rate arrangement of the euro area is free floating. Lithuania participates in a currency union (EMU) with 20 other members of the EU and has no separate legal tender. The euro, the common currency, floats freely and independently against other currencies. Lithuania has accepted the obligations of Article VIII, Sections 2, 3 and 4 of the IMF's Articles of Agreement and maintains an exchange system free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions except for those maintained solely for the preservation of national or international security and which have been notified to the Fund pursuant to Executive Board Decision No. 144 (52/51).

Previous Article IV Consultation:

Lithuania is on the 12-month consultation cycle. The last Article IV consultation was concluded on September 17, 2025. The staff report and other related documents are available at: https://www.imf.org/en/publications/cr/issues/2025/09/16/republic-of-lithuania-2025-article-iv-consultation-press-release-staff-report-and-statement-570361

Safeguards Assessment:

Under the Fund's safeguards assessment policy, the Bank of Lithuania (BoL) was subject to and completed a safeguards assessment with respect to the Stand-By Arrangement (the SBA was approved on August 30, 2001 and expired on March 29, 2003) on December 10, 2001. The assessment identified certain weaknesses and proposed appropriate recommendations as reported in EBS/01/211. The BoL has implemented these recommendations.

FSAP Participation and ROSCs:

An FSAP Update mission was completed on November 19, 2007. Fiscal and statistics ROSCs were completed in November 2002 and December 2002, respectively.

## Table 1. Lithuania: Technical Assistance from the Fund, 2001–24

| Department | Issue | Action | Date | Counterpart |
|---|---|---|---|---|
| FAD | Tax policy issues | Mission | Jun. 3–26, 2001 | Ministry of Finance |
| STA | ROSC | Mission | May 8–22, 2002 | Department of Statistics, Ministry of Finance, and Bank of Lithuania |
| FAD | ROSC | Mission | Jul. 10–23, 2002 | Ministry of Finance |
| FAD | Treasury Operations | Mr. Ramachandran | Nov. 22–Dec. 5, 2004 | Ministry of Finance |
| FAD | Decentralization | Mission | Dec. 3–15, 2004 | Ministry of Finance |
| STA | External debt statistics | Mission | Aug. 2–4, 2006 | Bank of Lithuania |
| MCM | Stress testing | Mr. Miguel A. Segoviano Basurto | Jun. 11–21, 2007 | Bank of Lithuania |
| STA | External debt statistics | Mission | Nov. 8–19, 2007 | Bank of Lithuania |
| FAD | Public expenditure review | WB mission / Ms. Budina (FAD) participation | Apr. 14–24, 2009 | Ministry of Finance |
| FAD | Tax Administration | Mission | Aug. 26–Sep. 8, 2009 | Ministry of Finance |
| MCM/LEG | Bank Resolution/Banking Law | Mission | Sep. 28–Oct. 6, 2009 | Bank of Lithuania/Ministry of Finance |
| FAD | Reform of Social Security and Health Funds | Mission | Apr. 6–20, 2010 | Ministry of Finance/State Social Insurance Fund Board |
| LEG | Personal Bankruptcy Reform | Mission | Apr. 30–May 8, 2010 | Ministry of Economy |
| FAD | Tax Administration | Mission | Jul. 14–27, 2010 | Ministry of Finance |
| FAD | General Tax Policy | Mission | Oct. 19–25, 2010 | Ministry of Finance |
| STA | GFS 2001 Statistics | Mission | Feb. 11–22, 2013 | Ministry of Finance |
| MCM | Credit Unions | Mission | Nov. 18–29, 2013 | Bank of Lithuania |
| MCM | Stress Testing | Mission | Dec. 16–18, 2013 | Bank of Lithuania |
| FAD | Local Government Finance | Mission | Dec. 9–16, 2014 | Ministry of Finance |
| FAD | Fiscal Transparency | Mission | Nov. 28–Dec. 11, 2018 | Ministry of Finance |
| FAD | Value Added Tax Gap | Mission | Oct. 23–Nov. 6, 2019<br>Feb. 27–Mar. 5, 2020<br>May 3–Nov. 26, 2021 | State Tax Inspectorate |
| FAD | High Wealth Individuals Management | Mission | Feb. 25–Mar. 30, 2021<br>May 20–25, 2021<br>Jul. 28–30, 2021<br>Jan. 10–20, 2022<br>Feb. 8–9, 2022<br>Sep. 26 – Oct. 5 2022 | State Tax Inspectorate |

Table 1. Lithuania: Technical Assistance from the Fund, 2001–26 (concluded)

| Department | Issue | Action | Date | Counterpart |
|---|---|---|---|---|
| | | | Nov. 23 – Dec. 9, 2022<br>Feb. 20 – Mar. 15, 2023<br>Apr. 7 – Apr. 28, 2023 | |
| LEG | AML/CFT Framework | Mission | May 2–6, 2022<br>May 25–Jun. 2, 2022 | Bank of Lithuania/Financial Intelligence Unit |
| FAD | Compliance Gap Integration | Mission | Mar. 1 – Apr. 28, 2023 | State Tax Inspectorate |
| FAD | Advancing Spending Reviews | Mission | April 2026 | Ministry of Finance |
| FAD | Improving top-down VAT gap estimation | Virtual/Mission | Nov 2025 – Feb 2026 | State Tax Inspectorate, Ministry of Finance |
| FAD | Bottom-up VAT gap estimation | Virtual/Mission | Nov 2025 – Feb 2026 | State Tax Inspectorate, Ministry of Finance |
| FAD | Strengthening VAT Administration | Virtual/Mission | Jan 2026 – Jun 2026 | State Tax Inspectorate, Ministry of Finance |
| FAD | VAT gap linkage to CRM | Mission | Jun 2026 – Jul 2026 | State Tax Inspectorate, Ministry of Finance |
| FAD | Data analytics and CRM improvement; Advancing compliance improvement (TBD) | Mission | FY27Q2-Q4 (TBD) | State Tax Inspectorate, Ministry of Finance |

Resident Representative:

None.

Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT): Lithuania's compliance with the Financial Action Task Force (FATF) standard was assessed by MONEYVAL, the FATF-style regional body of which it is a member, in April 2012 and December 2018.

The 2018 MONEYVAL assessment rated Lithuania's AML/CFT regime as insufficiently effective in ten out of eleven pillars of an effective system, including moderate effectiveness of AML/CFT supervision, preventive measures by reporting entities, and ML/TF risk understanding and domestic coordination. Given the results of the assessment, Lithuania was placed in an enhanced follow-up process. Following the MONEYVAL assessment, Lithuania has strengthened its legislative and regulatory framework and taken steps to enhance its AML/CFT effectiveness.

In December 2024, Lithuania's fifth enhanced follow-up report and the first compliance enhancing procedures report (CEP) were adopted, concluding that Lithuania had made sufficient progress in addressing shortcomings for Recommendation 6 on targeted financial sanctions related to terrorism and terrorist financing. Therefore, Lithuania was removed from CEPs. Lithuania has only four FATF

Recommendations remaining rated as “Partially Compliant”, while Lithuania is considered as either “Compliant” or “Largely Compliant” with 36 FATF Recommendations.

The government has established an AML Centre of Excellence, which is designed to facilitate information sharing and strengthen collaboration among key stakeholders. A third National Risk Assessment (NRA) was conducted in 2023 and the report was issued in 2024. Based on the results and conclusions of the NRA, an Action Plan for the Mitigation of ML/TF Risks for 2025-27 was adopted in April 2025. The Bank of Lithuania has continued to develop its AML/CFT supervisory framework and is reviewing its AML/CFT strategy.

Lithuania transposed the 5th Anti-Money Laundering and Terrorist Financing Directive on January 10, 2020, and has since further amended its AML/CFT framework, including with respect to beneficial ownership transparency and virtual asset-related activities. More recently, Lithuania has been implementing the EU Markets in Crypto-Assets Regulation (MiCAR), with the Bank of Lithuania responsible for licensing and supervision of crypto-asset service providers and the Financial Crime Investigation Service retaining an AML/CFT supervisory role, supported by cooperation arrangements between the two authorities.