VALSTYBĖS KONTROLĖ
BUDGET MONITORING

To the Seimas of the Republic of Lithuania

OPINION ON THE ENDORSEMENT OF THE ECONOMIC DEVELOPMENT SCENARIO

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Vilnius

CHANGES IN THE SECOND PENSION PILLAR WILL LEAD TO A SURGE IN CONSUMPTION, THEREFORE ECONOMIC GROWTH WILL NOT BE STEADY IN THE COMING YEARS

The National Audit Office implementing the function of a fiscal institution (hereinafter – NAO FI), submits to the Seimas its opinion on the Economic Development Scenario (EDS) for 2025–2028 published by the Ministry of Finance (MoF) on 11 September. The opinion is based on the Constitutional Law on the Implementation of the Fiscal Treaty.

NAO FI endorses the Economic Development Scenario for 2025–2028 published in September. It is consistent with the specified assumptions and is based on relevant statistical data. The Scenario is suitable for preparing the draft budget plan for 2026–2028. The views of the NAO FI and the MoF on the prospects for the Lithuanian economy are similar. A description of the NAO FI forecasts is provided in Part 2 of the opinion, and a table of projections is provided in Annex 1.

Key messages of the NAO FI projections:

- **This year's economic growth projection has been revised down to 2.7%. Economic growth will be driven by domestic demand and exports.**
- **Changes to the second pension pillar will significantly boost household consumption. This will lead to higher GDP growth and inflation in 2026 than projected in March.**
- **Once the one-off surge in consumption fades, economic growth will slow significantly in 2027.**
- **Changes to the second pension pillar will temporarily increase general government revenue, so it is important not to make long-term commitments on this basis.**
- **Uncertainty in international trade and increased tariffs will have a negative impact on Lithuanian exports in the medium term.**
- **The labour market will remain strong, over the medium term, high number of employed persons and rapid wage growth exceeding inflation are projected.**

ASSESSMENT AND ENDORSEMENT OF THE ECONOMIC DEVELOPMENT SCENARIO

The NAO FI carried out an assessment of the Economic Development Scenario for 2025–2028 published in September 2025[1]. The NAO FI analysed the macroeconomic environment and prepared independent projections. In assessing the Ministry of Finance's EDS, the NAO FI analysed the validity of the assumptions used in the scenario, compared the projections of the scenario with the projections of the NAO FI and of other institutions, used the endorsement range method and expert judgement.

Considering the changes in economic policy that have taken place since March, there are no significant differences in the projections of the main macroeconomic indicators for the period 2025–2028 between the MoF and the NAO FI. Taking into account the results for the first half of 2025 and the updated assumptions, the NAO FI and the MoF have slightly reduced their real GDP projections for 2025. It is expected that the economy will grow at a similar pace this year as in 2024 (2.7% according to NAO FI, 2.6% according to the MoF). This will be driven by household consumption, recovering investment, and stronger export growth than last year. Considering higher US import tariffs on EU goods than in 2024 and slower than expected growth in Lithuania's main export partners in March, the NAO FI and MoF have revised down their projections for real export growth in 2026–2028. It should be noted that Lithuania's economic growth will be uneven during this period. This will be influenced by the expected surge in household consumption next year, which will be driven by changes in the second pillar of pension system. As a result, the country's real GDP will grow faster than 3% in 2026. Once the one-off consumption effect subsides, economic growth will slow significantly in 2027 to just over 2% and will approach 3% in 2028.

Wages and the number of employed persons are projected to be slightly lower in 2025 than expected in March. The labour market situation will remain stable in 2025–2028: the unemployment rate will decline steadily, and average wages will grow faster than inflation.

The NAO FI and MoF predict that inflation will exceed 3% in 2025. The institutions have increased their projections for this indicator in 2026 (to 3.3% and 3.2%, respectively). The faster-than-expected price developments in March are driven by changes in taxation and the second pillar of pension system. Inflation is projected to decline in the medium term but remain above 2%. GDP growth at current prices is expected to be faster in 2026 than in 2025, but to slow down in 2027–2028. A more detailed description of the NAO FI forecasts is provided in Part 2 of the opinion, and the projection table is provided in Annex 1. The EDS for September 2025 is provided in Annex 2. The estimates of the NAO FI and MoF indicators may differ due to different assumptions, models, and expert judgement.

The NAO FI forecasts are used as a benchmark using the endorsement range method. On this basis, the NAO FI has produced uncertainty graphs for the following EDS indicators[2] for the period 2025–2027: changes in GDP at current and constant prices, real household consumption expenditure, average gross monthly earnings (AME) and number of employed persons (Annex 3). The projections for almost all indicators fall within the 40% endorsement intervals. They represent the central range of probability intervals that is closest to the reference point (mode) for the NAO FI projections. The projection for household consumption expenditure in 2026 falls within the 60% range. This means that the projection for this indicator in 2026 is further away from the central uncertainty graph range and its probability of occurrence is less

[1] The evaluation and endorsement process and the methods used by NAO FI are defined in the Description of Evaluation and Endorsement of the EDS of the NAO FI. Available online: https://www.valstybeskontrole.lt/TVS/Content/Biudzeto_stebesena/ERS_vertinimo_ir_tvirtinimo_aprasas.pdf.

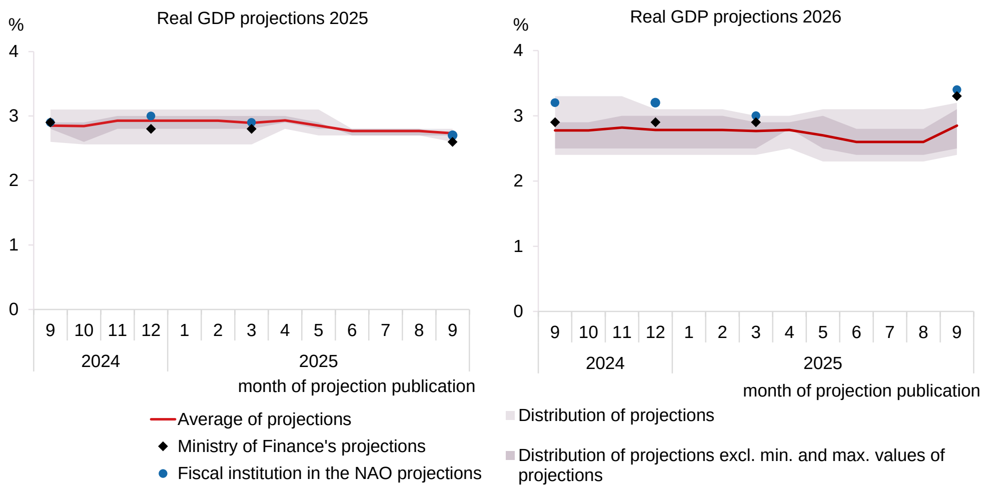
[2] These key indicators are the most important for the NAO FI when deciding on the endorsement of the EDS, but projections of other EDS indicators are also analysed to ensure consistency between the projections of the scenario indicators.

than 40% within the range. The NAO FI considers the MoF's projection of 4.6% consumption growth in 2026 to be cautious, but possible due to the uncertainty surrounding changes in the second pillar of the pension system. It should be noted that the endorsement ranges are based on historical errors and therefore may not fully reflect future uncertainty.

The EDS real GDP projection for 2028 is considered plausible according to the NAO FI potential GDP assessment method which is used to check the consistency of medium-term projections. According to the NAO FI assessment, potential GDP[3] is expected to grow by an average of around 2.7% per year between 2025 and 2028. (Annex 1). The Ministry of Finance projects real GDP growth of 2.7% in 2028. This is close to the NAO FI's estimate of potential GDP growth of 2.5% in 2028.

In September 2025, the EDS's real GDP projections for 2025 remain more cautious than the average of other institutions, while those for 2026 are slightly higher (Figure 1). The average real GDP forecast of other institutions for 2025 is 2.7%, and for 2026 – 2.9% (Annex 4). It should be noted that most of the institutions publishing macroeconomic forecasts for Lithuania updated them in July 2025, before the release of the gross domestic product results for the second quarter of 2025. Most institutions have also not yet included the impact of the second pillar of pension system and tax changes, as well as the trade agreement between the US and the EU reached in July, on the country's economy.

Figure 1. In September 2025, the MoF and NAO FI projections for real GDP in 2025 are more cautious, while those for 2026 remain slightly higher than the average of other institutions



The institutions included in the distribution of the projections are the European Commission (EC), the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD), the Bank of Lithuania, Swedbank AB and SEB AB.

Source: calculations by the National Audit Office, implementing the function of a fiscal institution

The assumptions used in the September 2025 EDS are reasonable. The external risks that could have the greatest impact on Lithuania's economic development remain related to the geopolitical situation and international trade, while internal risks are related to changes in the second pillar of pension system. In the view of the NAO FI, the September EDS is based on relevant assumptions about the exchange rate, global economic developments and those of Lithuania's main export partners, and oil prices. The main negative risks that could affect Lithuania's economic development remain related to the geopolitical situation and international trade. Uncertainty has decreased following the agreement between the EU and the US on tariffs, but it remains an important factor shaping economic behaviour. Economic growth may be

[3] The potential GDP estimate uses the latest Ministry of Finance EDS projections. It should be noted that due to differences in estimation assumptions and model specifications, the estimates of the potential GDP and output gap may differ between the NAO FI and the MoF.

stimulated by the defence industry and increased household consumption, which would be influenced by changes in household savings and the second pillar of pension system. A more detailed description of the macroeconomic environment, assumptions, and risks is provided in Part 1 of the opinion.

The NAO FI endorses the Economic Development Scenario for 2025–2028 published by the Ministry of Finance in September 2025. According to the Council of the European Union Directive[4], budgetary planning must be based on the most likely or more prudent macrofiscal scenario. In view of the remaining uncertainty and considering the results of the above-mentioned methods, the NAO FI endorses the Economic Development Scenario 2025–2028 published in September 2025. The Scenario is appropriate for preparing the draft budget plan for 2026–2028.

More detailed information on the EDS assessment process is provided in Annex 5. On 29 August 2025, a meeting was held between the MoF and the NAO FI, during which the MoF responded to questions submitted by the NAO FI regarding the possible impact of increased tariffs, taxes, and changes to the second pillar of pension system, as well as the development of investments, international trade, and the labour market, and the assumptions used in projecting the impact on the country's economic development. On September 5, 2025, the NAO FI informed the MoF that it had no reasons not to endorse the EDS.

[4] 29 April 2024 Council Directive 2024/1265/EU on requirements for budgetary frameworks of the Member States, Article 4(1) Available online: https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=OJ:L_202401265.

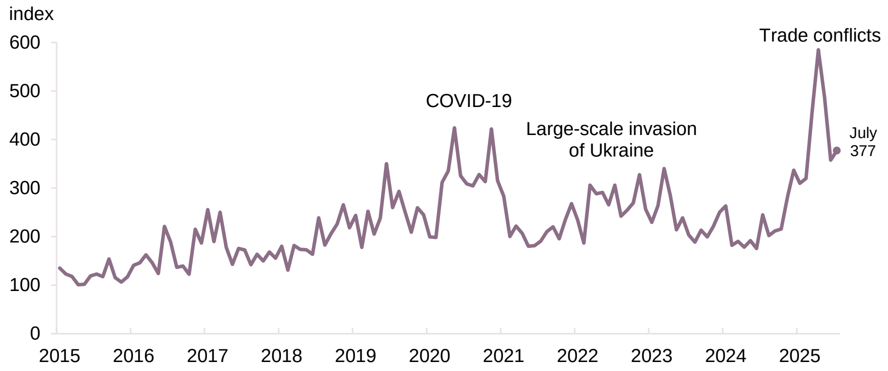
1. ANALYSIS OF THE MACROECONOMIC ENVIRONMENT AND EDS ASSUMPTIONS, RISKS TO LITHUANIAN ECONOMIC DEVELOPMENT

In the view of the NAO FI, the September EDS is based on relevant assumptions about the exchange rate, the economic development of the world and main export partners, and oil prices. The assumptions used by the MoF in preparing the September EDS are consistent with the latest information available at the time the projections were made[5]:

- In preparing the EDS, the MoF relied on the assumptions for the euro exchange rate against the US dollar published by the European Central Bank in June. The NAO FI used outturn data for July and August to prepare its exchange rate assumption. Both institutions expect the euro to be stronger than the US dollar in the medium term than in 2025 (Tables 2 in Annexes 1 and 2).
- In preparing their assumptions for global and EU economic growth, the Ministry of Finance and the NAO FI relied on the projections published by the International Monetary Fund in July 2025 and expect a slightly slower recovery of both the global and EU economies than expected in March. The NAO FI and MoF assume that from 2026 onwards, the growth of Lithuania's main export partners will be faster than in 2025.
- The September EDS is based on the assumption that oil prices will be lower in the medium term than expected in March. Futures contracts indicate a decline in oil prices until 2027 and a slight increase in 2028. Given the uncertainty in the oil and exchange rate markets, the NAO FI considers that these differences between assumptions and market expectations are not significant.

The geopolitical situation has a significant impact on global economic development and maintains uncertainty at a high level. Ongoing conflicts in Ukraine and the Middle East contribute to fluctuations in energy prices. Trade relations between the US and China remain uncertain, but the agreement reached between the EU and the US at the end of July on a 15% tariff[6] has provided more clarity for EU manufacturers and investors, enabling them to plan further investments. This is also reflected in the persistent, albeit reduced, high global economic policy uncertainty index since the end of 2024 (Figure 2). EU countries may also have to seek new markets and expansion opportunities more actively. EU economic policy is also shaped by the need to increase defence spending while maintaining fiscal sustainability.

Figure 2. In April 2025, the global economic policy uncertainty index reached an all-time high. This indicator has since declined, but remains at a high level



Source: https://www.policyuncertainty.com/index.html

[5] It should be noted that the date for the inclusion of statistical data and other information in the Scenario is 1 September 2025.

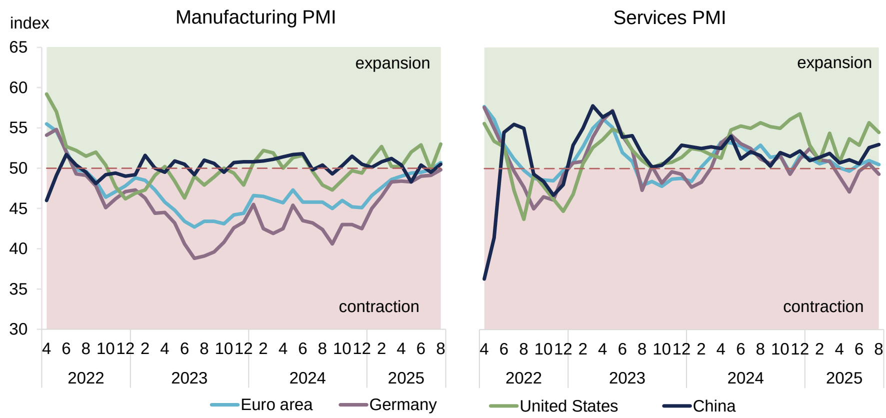
[6] Available online: https://ec.europa.eu/commission/presscorner/detail/en/qanda_25_1930.

According to the NAO FI assessment, the main risks that could affect Lithuania's economic development in the medium term are:

- **Geopolitical tensions and the fragmentation of international trade could slow down global economic growth.** Unrest in the Middle East and the ongoing war in Ukraine could trigger financial market volatility and push up energy and other commodity prices. Rising prices could increase inflation not only in Lithuania but also across the EU. Increased uncertainty may cause companies to be cautious in their investment decisions. The protectionist economic policy pursued by the US also contributes to uncertainty. The ongoing trade conflict with China may lead to an increase in Chinese exports to the EU, which would create additional competition for EU manufacturers. Higher tariffs on EU exports could also slow down economic growth in the EU.

- **A slower-than-expected recovery of Lithuania's export partners would reduce economic growth.** The German economy contracted by 0.3% in Q2 2025[7], experiencing difficulties in the industrial sector. The Purchasing Managers' Index (a leading indicator of economic activity) points to economic growth in the euro area (EA), but indicators for Germany's industrial and service sectors still point to contraction (Figure 3). Slower growth in the economies of key trading partners, structural challenges in the EA, and risks related to international trade may have a stronger than expected impact on Lithuanian exports.

Figure 3. In August 2025, for the first time since June 2022, the EA industrial sector is showing signs of expansion. Growth in the services sector remains



PMI – Purchasing Managers' Index

Source: https://www.pmi.spglobal.com

- **Strengthening the defence industry would stimulate faster economic growth in the EU.** On July 8, 2025, the Council activated a national escape clause for 15 EU member states to increase their defence spending[8]. EU countries' investments in defence and infrastructure can stimulate their economic growth and increase productivity. However, higher deficits mean that fiscal policies that restrict the economy may have to be implemented in the future in order to maintain fiscal discipline and balanced economic growth.

[7] Available online: https://www.destatis.de/EN/Press/2025/08/PE25_310_811.html.

[8] Available online: https://www.consilium.europa.eu/en/press/press-releases/2025/07/08/council-activates-flexibility-in-eu-fiscal-rules-for-15-member-states-to-increase-defence-spending/.

- **Climate change would increase inflation.** The World Meteorological Organization announced[9] that 2024 was the warmest year in recorded history. The increasingly evident effects of climate change could negatively impact supply chains and food prices, thereby driving inflation. Recent studies show[10] that adverse weather conditions cost the EU agricultural sector more than €28 billion annually.

- **Stronger domestic demand should stimulate economic growth.** Household consumption may be positively affected by changes in consumer behaviour related to lower savings and the reform of the second pillar of pension system[11]. Continued migration may also contribute to the growth of the number of employed persons. Investment could be higher due to the faster implementation of the Recovery and Resilience Facility and other EU-funded projects, political decisions on even greater investment in defence or other areas, as well as more active private sector investment.

[9] Available online: https://wmo.int/news/media-centre/wmo-confirms-2024-warmest-year-record-about-155degc-above-pre-industrial-level.

[10] Report by the European Investment Bank and the European Commission. Available online: https://www.fi-compass.eu/library/market-analysis/insurance-and-risk-management-tools-agriculture-eu.

[11] Available online: https://socmin.lrv.lt/lt/naujienos/pritarta-pertvarkai-antroji-pensiju-kaupimo-pakopa-taps-patrauklesne-ir-lankstesne/.

2. NAO FI ECONOMIC DEVELOPMENT FORECASTS FOR 2025–2028

Since the publication of the March projections, there have been significant changes in economic policy. In preparing its September macroeconomic projections, the NAO FI took into account the impact of tax changes, increased tariffs and changes to the second pillar of the pension system on the country's economic development:

- In projecting the impact of the tax reform on macroeconomic indicators, the NAO FI assumed that the reform would have a neutral impact on economic growth. The Ministry of Finance forecasts that an additional 0.4% GDP will be collected in the budget in 2026 and 0.5% GDP in 2027. Since this additional money will not be used to reduce the budget deficit, the fiscal stimulus will remain similar to that before the reform. However, the tax reform will accelerate price growth, particularly due to the removal of the reduced VAT rate for heating.
- In projecting Lithuania's export growth in the medium term, NAO FI relied on the estimates of the Kiel Institute[12], published on 28 July 2025. The institute's calculations took into account the EU-US trade agreement, under which a 15% import tariffs will apply to most EU goods. It is expected that in the short term, the impact of customs duties on Lithuania's real GDP will be negative and will amount to –0.25%.
- When projecting the impact of changes to the second pillar of pension system on the Lithuanian economy in the medium term, the NAO FI relied on the analysis of the Bank of Lithuania[13], the example of Estonia in 2021, and the latest sociological surveys[14]. It is expected that 30% of assets will be withdrawn from second pillar pension funds. Nearly 70% of this withdrawn money will be spent on consumption – about EUR 1.2 billion. It is assumed that those who wish to withdraw from the pillar will do so next year.

In the medium term, the country's economy will grow unevenly, mainly due to a temporary surge in consumption caused by changes in the second pillar of the pension system. In the first half of 2025, real GDP was 3.2% higher than a year ago. During this period, Lithuania's economic growth was among the four fastest in the EU[15]. This development was driven by a slight acceleration in exports, a recovery in investment, and growing household consumption. Due to strong domestic demand, the impact of net exports was negative. Retail trade turnover continued to grow (Figure 4). Industrial production (seasonally and calendar adjusted) in the second quarter of this year was lower than in the first quarter, mainly due to poorer results in the chemical sector. Nevertheless, industrial production remained one-third higher than in 2019. Meanwhile, the volume of construction work carried out in the country was almost 30% higher than before the pandemic.

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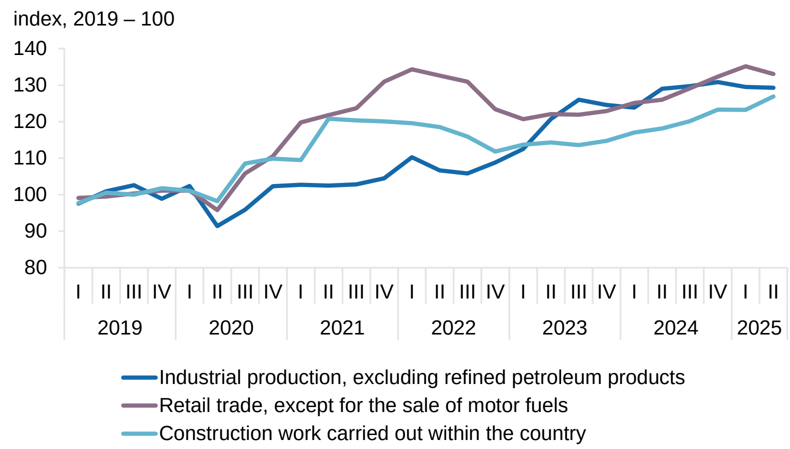
[12] Available online: https://www.ifw-kiel.de/topics/kiel-trade-and-tariffs-Monitor/.

[13] "An Ex-Ante Assessment of the Proposal to Reform the Second Pillar of the Lithuanian Pension System". Available online: https://www.lb.lt/uploads/publications/docs/51997_99f0a98e57fd62873e5bab678d6514d2.pdf.

[14] A survey conducted in July by the Vilnius University Faculty of Economics and Business Administration (VU EVAF) in cooperation with UAB Spinter tyrimai to find out how residents plan to take advantage of the opportunities offered by the changes to the second pension pillar and what decisions they intend to make. Available online: https://iq.lt/komentarai/daugiau-kaip-puse-lietuvos-gyventoju-nuo-kitu-metu-planuoja-nebedalyvauti-antroje-pensiju-pakopoje/360104?.

[15] In the first half of 2025, Ireland, Poland, and Cyprus grew faster than Lithuania.

Figure 4. In Q2 2025, retail trade continued to expand, while industrial production and construction activity remained one-third higher than in 2019

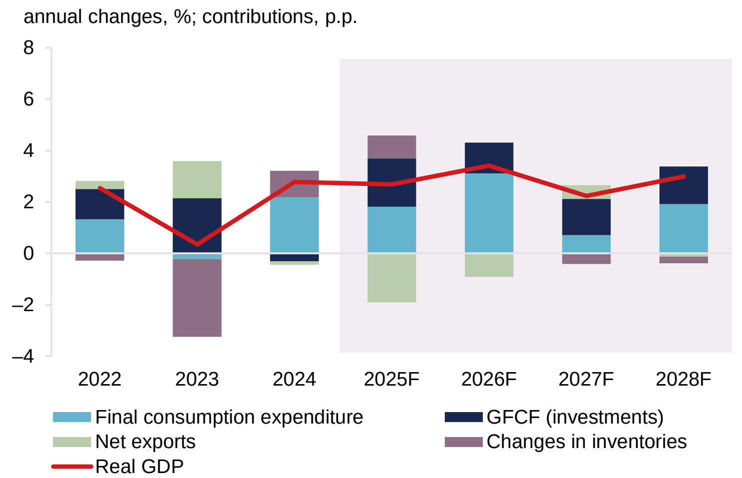


Seasonally and calendar adjusted.

Source: State Data Agency, calculations by the National Audit Office, implementing the function of a fiscal institution

Considering the statistical data for the first half of this year and the continued geopolitical uncertainty, the NAO FI is slightly lowering its real GDP growth projection for 2025 to 2.7%. This means that this year's economy will grow at a similar pace as in 2024. Economic growth will be driven by investment, household consumption, and exports (Figure 5). With domestic demand increasing, net exports are expected to have a negative impact on GDP. In the remaining medium term, the Lithuanian economy will grow unevenly. The increase in US import tariffs on most EU goods to 15% will lead to slower than expected in March growth in Lithuanian exports in the medium term. However, economic growth will accelerate to 3.4% in 2026. This will be driven by a one-off surge in private consumption due to the opportunity for residents to opt out of the second pillar of pension system next year. Once this one-off effect subsides, real GDP growth will slow to 2.2% in 2027 and approach 3% in 2028.

Figure 5. The NAO FI projects that Lithuania's real GDP will grow unevenly in the medium term

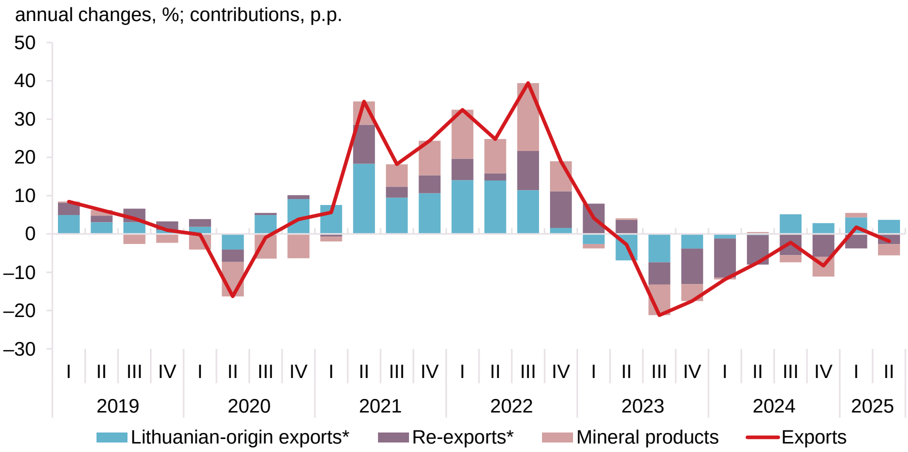


F – forecast

Source: State Data Agency, calculations by the National Audit Office, implementing the function of a fiscal institution

Export growth projections for the medium term are being lowered due to increased tariffs and weaker-than-expected in March foreign demand assumption. In the first half of this year Lithuania's real exports of goods and services grew by 3.3%, while imports grew by 6.7%. During this period, the value of exports of goods was boosted by Lithuanian-origin exports (excluding mineral products), especially chemical industry products (Figure 6). It should be noted that the 18% increase in exports to the US also contributed to the growth in exports of goods of Lithuanian origin. It is likely that this increase was due to companies' efforts to export goods before the US announced higher tariffs in April. Meanwhile, re-exports of goods continued to decline in the first half of the year, but at a slower pace. With trade to the East declining, the annual change in the value of re-exports (excluding mineral products) in June this year was positive for the first time since June 2023. It is likely that in the future it will contribute increasingly to the expansion of Lithuanian goods exports. The trade agreement reached between the US and the EU in July this year reduced uncertainty but ensured higher US import tariffs on EU goods than in 2024. Taking this into account, as well as the expected slower growth of Lithuania's main export partners, NAO FI is lowering its projections for the country's real exports of goods and services for 2025–2028 (Annex 1, Table 1). Due to strong domestic demand in the first half of 2025, the NAO FI is increasing its projected real import growth for this year to 5.7 percent. Next year, imports, driven by a one-off surge in consumption, will grow by almost 5 percent.

Figure 6. In the first half of 2025, the value of goods exports (at current prices) was increased by exports of goods of Lithuanian origin (excluding mineral products)



* excluding mineral products

Source: State Data Agency, calculations by the National Audit Office, implementing the function of a fiscal institution

Investments will grow rapidly in 2025, with growth slowing down in the remaining medium term. In the first half of 2025, real gross fixed capital formation (investment, GFCF) grew by 8.7% year-on-year. This change was mainly driven by increased spending on transport equipment. The impact of investments in construction (excluding the dwellings component), which account for the largest share in the GFCF structure, remained positive. Tangible fixed assets investment data for the second quarter of 2025 show continued favourable trends not only in the private sector but also in the public sector. Taking into account the outturn development of the indicator in the first half of the year and the above-mentioned factors, the NAO FI forecasts that gross fixed capital formation will grow by 7.8 percent in 2025. With defence spending on the rise and the need for labour productivity enhancing measures remaining, the indicator is projected to reach 4.7 percent in 2026 and exceed 5 percent in subsequent years.

Inflation will exceed 3% in 2025–2026 and decline in the medium term. The annual growth of the harmonized consumer price index (HICP) reached 3.4% in January–August. The NAO FI forecasts that price growth should not accelerate until the end of the year. The HICP growth forecast for 2026 has been raised to 3.3 percent, with faster growth driven by changes in VAT and the second pillar of pension system. Inflation is expected to slow down in 2027–2028 but remain rapid due to increasing excise duties on fuel and tobacco and rising service prices. Following the increase in the HICP forecast, the NAO FI expects faster GDP deflator growth in 2025–2026. The GDP deflator is projected to grow slightly faster than the HICP in the medium term due to higher growth in the general government deflator. In 2025–2026, this development will also be supported by faster price increases for exports compared to imports.

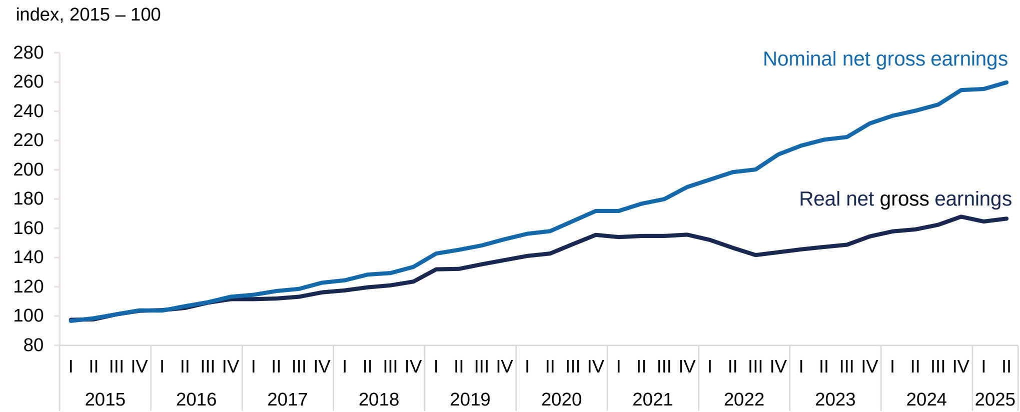
The labour market continues to develop favourably, but challenges are emerging. In Q2 2025, for the first time since the start of the war in Ukraine, the number of employed persons decreased compared to the same period a year ago. The number of employees declined in the major economic activities – manufacturing and wholesale and retail trade. Another noticeable trend is the declining number of employed persons aged 15–29. The youth unemployment rate rose by 0.6 percentage points in first half of the year, while the overall unemployment rate in the country reached 7.1 percent. The growing number of long-term unemployed and the continuing tightness in the labour market are also causes for concern[16]. These factors signal that the unemployed lack the necessary skills. With migration flows declining and the population aging, it is important to invest in human capital in order to maintain economic growth and increase productivity. Taking into account the weaker results of this half-year indicator and slower economic activity, the NAO FI is lowering its projection for employment growth this year to 0.2 percent. In the medium term, the number of employed persons is projected to decline moderately but remain high at 1.46 million.

Wage growth will slow, but purchasing power will continue to grow moderately. In the first half of this year, wages in Lithuania grew by 8.4 percent, no longer at the double-digit pace seen in previous years. The overall slowdown was mainly driven by the public sector, but wages in the private sector have also been growing at a slower pace for a long time. With labour productivity not growing as fast, employers are facing challenges in maintaining high wage growth. However, it will continue to be driven by increases in the minimum monthly wage, inflation, and labour market tightness. The NAO FI forecasts that average gross monthly earnings growth will slow to 6.4% in 2028 (Annex 1, Table 1).

Real net wage growth has also slowed, rising by 4.4% in the first half of the year. This was influenced by an increase in inflation at the beginning of the year. The inflation shock in 2022 created a significant gap between nominal and real net wages: since 2021, nominal wages have increased by 47.8%, while real wages have increased by only 7.3% (Figure 7). However, in the medium term, wages will grow faster than inflation, so the purchasing power of the population will increase moderately.

[16] A situation where the supply of labour is limited and demand is high. The job vacancy rate in the second quarter of 2025 was historically high, rising to 2.2% (seasonally and calendar adjusted).

Figure 7. Real wages grew more moderately in the first half of 2025 compared to the same period a year ago



Source: State Data Agency, calculations by the National Audit Office, implementing the function of a fiscal institution

Changes in the second pillar of pension system will cause a surge in private consumption next year, with the impact fading over the rest of the period. In the first half of 2025, real household consumption expenditure grew by 1.8% year-on-year. This was due to slower growth in purchasing power and faster inflation since the beginning of the year. In addition, some households have recently been more cautious and have saved more. Retail trade data show double-digit growth in non-food sales, while the results of fuel, food and beverage services are weaker than in 2024. According to the August 2025 consumer survey, the consumer confidence index was close to its long-term average. Expectations were positively influenced by an improving assessment of the future financial situation. The NAO FI forecasts that household consumption expenditure will grow by 3.2% in 2025. Next year, a significant portion of second pillar pension funds will be injected into the economy. It is assumed that approximately EUR 1.2 billion could be spent on consumption. In addition, wages will continue to grow faster than prices, and the labour market will remain strong. For these reasons, private consumption is projected to grow significantly faster in 2026 than in the March projections, reaching 5.8%. Once the impact of the one-off factor disappears, this rate will slow significantly to 1.3% in 2027 and consumption will return to its long-term growth rate in 2028. However, if the assumptions about the impact of pension system changes do not materialize (e.g., the amount of withdrawals or the share allocated to consumption will differ), it may be necessary to revise the projections for private consumption expenditure in the future.

Changes to the second pillar of the pension system will temporarily increase general government revenue, so it is important not to make long-term commitments based on them. Changes to the second pillar of the pension system may have a significant impact on economic growth and general government revenue. Tax base growth is expected to be higher than forecast in the spring, when decisions on changes to the pension system had not yet been taken. However, the increase in revenue will be temporary, and expenditure decisions must therefore be responsible. Long-term commitments should not be made on the basis of these unsustainable revenues. In its assessment of the sustainability of public finances[17], the NAO FI noted that, taking into account the changes to the second pillar of pension system, its impact on the income replacement rate is likely to decrease in the future. As a result, the pressure caused by the aging of the population will have an

[17] Available online: https://www.valstybeskontrole.lt/EN/Product/24298/assessment-of-the-sustainability-of-general-government-finances-in-20252050.

even more negative impact on the social insurance old-age pension system and increase the risks to the long-term sustainability of public finances.

The National Audit Office of the Republic of Lithuania, implementing the functions of the budget policy monitoring institution set out in the Constitutional Law on the Implementation of the Fiscal Treaty of the Republic of Lithuania has carried out an assessment and issued an opinion on the Economic Development Scenario for 2025–2028 prepared by the Ministry of Finance of the Republic of Lithuania and published on 11 September 2025. In accordance with Article 7(3) of the Constitutional Law on the Implementation of the Fiscal Treaty of the Republic of Lithuania and Article 8(7)(3) of the Law on the National Audit Office, the National Audit Office submits its opinion to the Seimas of the Republic of Lithuania.

Head of the Budget Monitoring Department Jurga Rukšėnaitė

ANNEXES

Opinion
On the Endorsement of the
Economic Development Scenario
Annex 1

MACROECONOMIC FORECASTS OF THE FISCAL INSTITUTION FOR 2025–2028 AND KEY ASSUMPTIONS

Table 1. NAO FI macroeconomic forecasts for 2025–2028

Indicator	2024	2025F	2026F	2027F	2028F
Key macroeconomic indicators					
Change in GDP at constant prices, %	2.8	2.7 (2.9) ▼	3.4 (3.0) ▲	2.2 (3.1) ▼	3.0 (3.1) ▼
GDP at constant prices, EUR million	59 993.7	61 540.1	63 639.3	65 060.9	67 003.4
Change in GDP at current prices, %	6.3	6.5 (6.5)	7.0 (6.2) ▲	4.8 (5.8) ▼	5.6 (5.6)
GDP at current prices, EUR million	78 409.8	83 490.2	89 295.4	93 605.0	98 830.1
Change in labour productivity, %	1.2	2.5 (2.4) ▲	3.4 (3.1) ▲	2.5 (3.3) ▼	3.2 (3.4) ▼
Components of GDP at constant prices, rate of change, %					
Household consumption expenditure	3.5	3.2 (3.5) ▼	5.8 (3.4) ▲	1.3 (3.4) ▼	3.6 (3.4) ▲
General government consumption expenditure	1.4	0.5 (0.2) ▲	0.1 (0.1)	0.1 (0.1)	0.1 (0.1)
Gross fixed capital formation	−1.3	7.8 (5.4) ▲	4.7 (5.7) ▼	5.5 (5.5)	5.5 (5.5)
Exports of goods and services	2.1	3.0 (3.4) ▼	3.7 (4.3) ▼	3.9 (4.4) ▼	3.9 (4.4) ▼
Imports of goods and services	2.4	5.7 (4.0) ▲	4.9 (4.5) ▲	3.3 (4.6) ▼	4.2 (4.6) ▼
Price indicators, rate of change, %					
GDP deflator	3.4	3.7 (3.5) ▲	3.4 (3.1) ▲	2.5 (2.6) ▼	2.5 (2.5)
Household consumption expenditure deflator	0.8	3.4 (3.5) ▼	3.3 (3.0) ▲	2.3 (2.5) ▼	2.4 (2.4)
Government consumption expenditure deflator	12.5	12.4 (10.7) ▲	4.4 (4.6) ▼	4.6 (4.6)	4.5 (4.5)
Gross fixed capital formation deflator	2.2	1.8 (2.5) ▼	2.3 (2.2) ▲	2.1 (2.1)	2.1 (2.1)
Export (goods and services) deflator	0.9	−0.1 (0.6) ▼	0.3 (0.4) ▼	1.7 (1.4) ▲	1.7 (1.4) ▲
Import (goods and services) deflator	−1.4	−1.5 (0.1) ▼	−0.5 (0.0) ▼	1.7 (1.4) ▲	1.7 (1.5) ▲
Harmonised index of consumer prices (annual average)	0.9	3.4 (3.5) ▼	3.3 (3.0) ▲	2.3 (2.5) ▼	2.4 (2.4)
Labour market indicators					
Number of employed persons (according to the Labour Force Survey methodology), thousand	1463.7	1466.6	1466.2	1462.8	1459.3
Change in the number of employed persons, %	1.6	0.2 (0.5) ▼	0.0 (−0.1) ▲	−0.2 (−0.2)	−0.2 (−0.3) ▲
Unemployment rate (according to the Labour Force Survey methodology), %	7.1	7.0 (7.0)	7.0 (6.9) ▲	6.9 (6.9)	6.8 (6.8)
Average monthly gross earnings, EUR	2223.0	2410.7	2588.1	2765.0	2941.8
Change in average monthly gross earnings, %	10.4	8.4 (8.5) ▼	7.4 (7.2) ▲	6.8 (6.2) ▲	6.4 (5.7) ▲
Wage bill, million EUR	31 130.5	33 826.8	36 306.0	38 698.0	41 074.1
Change in the wage bill, %	11.8	8.7 (9.1) ▼	7.3 (7.1) ▲	6.6 (6.1) ▲	6.1 (5.4) ▲
Changes in potential GDP and the output gap					
Change in potential GDP, %	3.1	3.0 (3.1) ▼	2.8 (2.9) ▼	2.7 (2.8) ▼	2.5 (2.6) ▼
Output gap (% of potential GDP)	0.0	−0.4 (−0.8) ▲	0.0 (−0.9) ▲	−0.4 (−0.9) ▲	−0.2 (−0.7) ▲

The projections in parentheses are the March 2025 NAO FI projections.
According to the description of the procedure for EDS Evaluation and Endorsement, the indicators based on which the NAO FI decides on the EDS endorsement are presented in the purple background.
The projections are based on information and data published up to 1 September 2025.
F – forecast
Source: State Data Agency, calculations by the National Audit Office, implementing the function of a fiscal institution

Table 2. Main assumptions of the macroeconomic forecasts of the NAO FI

Indicator	2024	2025F	2026F	2027F	2028F
US dollar to euro exchange rate*	1.08	1.13 (1.04) ▲	1.16 (1.04) ▲	1.16 (1.04) ▲	1.16 (1.04) ▲
World (excl. EU) GDP growth, %**	3.7	3.3 (3.6) ▼	3.4 (3.6) ▼	3.4 (3.6) ▼	3.4 (3.6) ▼
European Union GDP growth, %**	1.2	1.3 (1.4) ▼	1.4 (1.7) ▼	1.4 (1.7) ▼	1.4 (1.7) ▼
Growth of Lithuania’s main export markets, %***	1.5	1.4 (1.6) ▼	1.6 (1.9) ▼	1.6 (1.9) ▼	1.6 (1.9) ▼
Oil prices (*Brent*, USD per barrel)****	80.5	70.0 (74.5) ▼	65.7 (70.4) ▼	65.4 (68.9) ▼	66.0 (68.2) ▼

* The exchange rate for the forecast period remains unchanged from the period between July 31 and August 13, 2025.
** Based on information from the International Monetary Fund made public on July 29, 2025.
*** Based on the methodology used by the NAO FI.
**** Average of 10 business days futures contracts from July 31 to August 13, 2025.
The main assumptions of the March 2025 projections of the NAO FI are shown in parentheses.
F – forecast
Source: the National Audit Office, implementing the function of a fiscal institution

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PROJECTIONS AND KEY ASSUMPTIONS FOR THE ECONOMIC DEVELOPMENT SCENARIO FOR 2025–2028 BY THE MINISTRY OF FINANCE

Table 1. Projections for the September 2025 Economic Development Scenario of the Ministry of Finance

Indicator, %	2024	2025F	2026F	2027F	2028F
Key macroeconomic indicators, change					
GDP at constant prices	2.8	2.6 (2.8) ▼	3.3 (2.9) ▲	2.3 (2.9) ▼	2.7 (2.8) ▼
Household consumption expenditure	3.5	2.6 (3.6) ▼	4.6 (3.5) ▲	2.1 (3.4) ▼	3.2 (3.4) ▼
General government consumption expenditure	1.4	0.7 (0.1) ▲	0.1 (0.1)	0.1 (0.1)	0.1 (0.1)
Gross fixed capital formation	–1.3	7.3 (5.2) ▲	5.2 (5.8) ▼	4.5 (5.4) ▼	4.4 (5.2) ▼
Exports of goods and services	2.1	3.2 (3.5) ▼	2.9 (4.0) ▼	3.3 (4.0) ▼	3.3 (4.0) ▼
Imports of goods and services	2.4	6.0 (4.3) ▲	3.7 (4.7) ▼	3.3 (4.7) ▼	3.6 (4.6) ▼
GDP at current prices	6.3	6.4 (6.3) ▲	6.7 (5.8) ▲	5.0 (5.6) ▼	5.4 (5.5) ▼
Price indices, change					
GDP deflator	3.4	3.7 (3.4) ▲	3.3 (2.8) ▲	2.7 (2.7)	2.6 (2.6)
Harmonized index of consumer prices (average annual)	0.9	3.5 (3.3) ▲	3.2 (2.7) ▲	2.4 (2.6) ▼	2.4 (2.5) ▼
Labour market indicators					
Change in average monthly gross monthly earnings	10.4	8.5 (8.4) ▲	7.3 (6.8) ▲	5.7 (5.7)	5.7 (5.7)
Unemployment rate (according to the Labour Force Survey methodology)	7.1	7.1 (7.0) ▲	6.8 (6.8)	6.9 (6.5) ▲	6.8 (6.3) ▲
Change in the number of employed persons (according to the Labour Force Survey methodology)	1.6	0.1 (0.3) ▼	0.2 (0.2)	0.0 (0.0)	0.0 (–0.1) ▲

The date for the inclusion of statistics and other information in the scenario is 1 September 2025.

The projections for the economic development scenario of 20/03/2026 are in parentheses.

According to the description of the procedure for EDS Evaluation and Endorsement, the indicators based on which the NAO FI decides on the EDS endorsement are presented in the purple background.

F – forecast

Source: Ministry of Finance

Table 2. Main assumptions for the September 2025 Economic Development Scenario of the Ministry of Finance

Indicator	**2024**	**2025F**	**2026F**	**2027F**	**2028F**
US dollar to euro exchange rate*	1.08	1.11 (1.06) ▲	1.13 (1.06) ▲	1.13 (1.06) ▲	1.13 (1.06) ▲
World (excl. EU) GDP growth, %**	3.7	3.3 (3.6) ▼	3.4 (3.6) ▼	3.4 (3.6) ▼	3.4 (3.6) ▼
European Union GDP growth as %***	1.1	1.3 (1.4) ▼	1.4 (1.7) ▼	1.4 (1.7) ▼	1.4 (1.7) ▼
Growth of Lithuania's main export markets, %****	2.0	1.9 (2.1) ▼	2.0 (2.3) ▼	2.0 (2.3) ▼	2.0 (2.3) ▼
Oil prices (*Brent*, USD per barrel)*****	80.5	69.0 (74.4) ▼	65.9 (70.8) ▼	65.9 (70.8) ▼	65.9 (70.8) ▼

* European Central Bank (June 2025)
International Monetary Fund (July 2025), Ministry of Finance calculations
International Monetary Fund (July 2025)
**** Ministry of Finance calculations
***** *Macrobond*, Ministry of Finance calculations. The calculations are based on the 10-day arithmetic average of futures prices on 1 September 2025.
The brackets show the EDS assumptions for March 2025.
F – forecast
Source: Ministry of Finance

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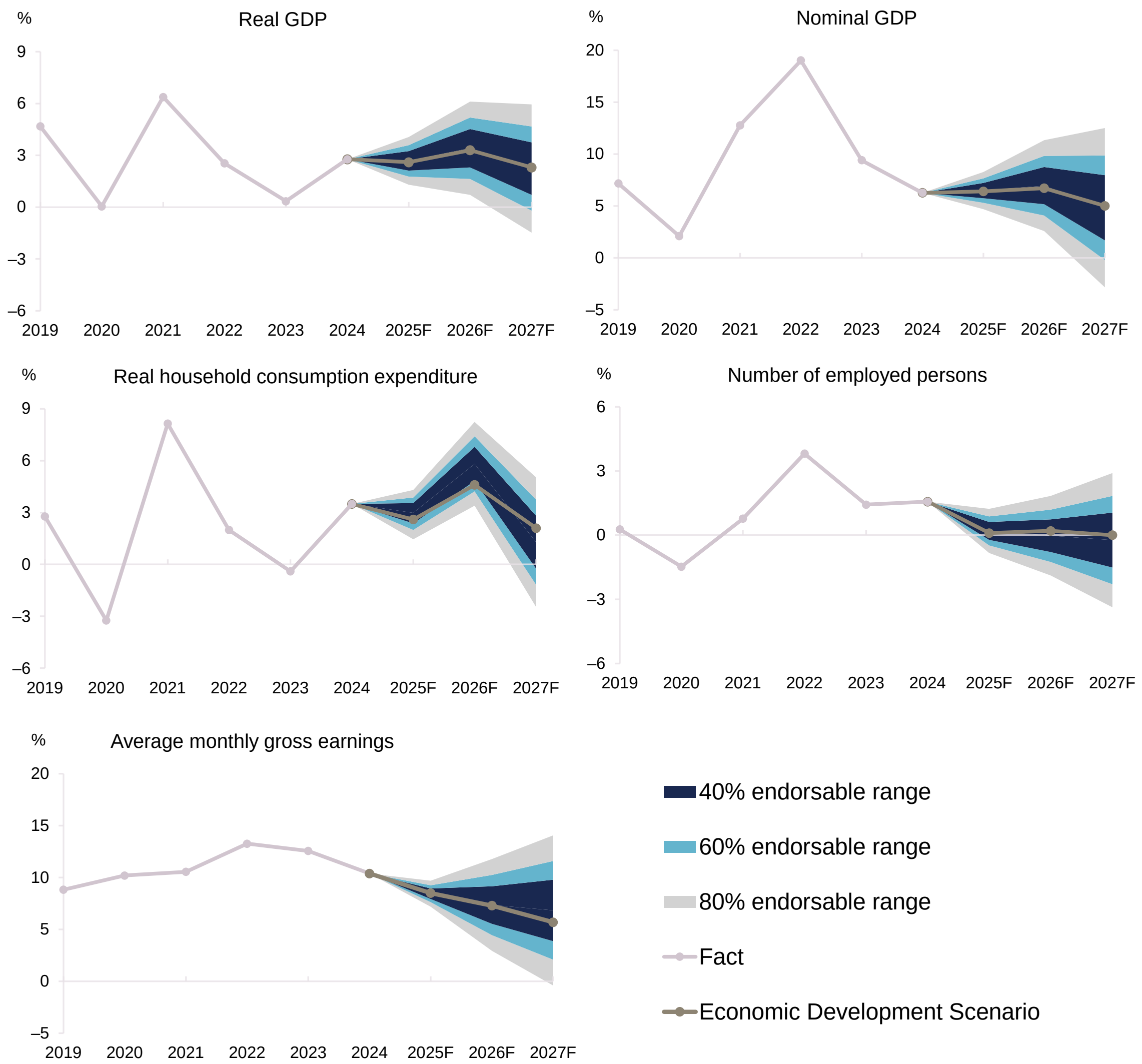
EDS ENDORSEMENT RANGES ESTIMATED BY THE NAO FI



The reference point (mode) of the endorsement ranges are the forecasts produced by the NAO FI.
The methodology for the development of the endorsement ranges is set out in more detail in the description of the procedure for the Assessment and Endorsement of the Economic Development Scenario. Available online:
https://www.valstybeskontrole.lt/TVS/Content/Biudzeto_stebesena/ERS_vertinimo_ir_tvirtinimo_aprasas.pdf.
F – forecast

Source: Ministry of Finance, calculations by the National Audit Office, implementing the function of a fiscal institution

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PROJECTIONS OF REAL GDP BY OTHER INSTITUTIONS

Institution	Date of publication	2025F	2026F
AB SEB	26/08/2025 (06/05/2025)	2.7 (2.7)	3.1 (2.5) ▲
AB Swedbank	26/08/2025 (06/05/2025)	2.6 (2.8) ▼	3.2 (2.3) ▲
Bank of Lithuania	12/06/2025 (12/03/2025)	2.8 (2.9) ▼	2.8 (3.0) ▼
OECD	03/06/2025 (04/12/2024)	2.7 (3.1) ▼	2.4 (2.8) ▼
European Commission	19/05/2025 (15/11/2024)	2.8 (3.0) ▼	3.1 (3.0) ▲
IMF	22/04/2025 (10-22/10/2025)	2.8 (2.6) ▲	2.5 (2.4) ▲
Institutional average	–	2.7 (2.9) ▼	2.9 (2.7) ▲
Ministry of Finance	11/09/2025 (20/03/2025)	2.6 (2.8) ▼	3.3 (2.9) ▲
NAO FI	18/09/2025 (26/03/2025)	2.7 (2.9) ▼	3.4 (3.0) ▲

The institutions' forecasts are published up to and including 05/09/2025.

The institutions' previous forecasts are in parentheses.

F – forecast

Source: projections by the institutions listed in the table, calculations by the National Audit Office, implementing the function of a fiscal institution

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PROCESS OF EVALUATION OF THE EDS PUBLISHED IN SEPTEMBER 2025

25 August	**The draft EDS was submitted by the MoF to the institutions for coordination (copy to the NAO FI).**
27 August	The NAO FI has produced its macroeconomic projections for 2025–2028*. A meeting between the Bank of Lithuania and the NAO FI was held to discuss Lithuania's economic development.
29 August	A meeting between the MoF and the NAO FI took place, during which the MoF responded to questions submitted by the NAO FI.
1 September	The State Data Agency published its second estimate of GDP for the second quarter of 2025. In the light of the new statistical data published, the NAO FI has revised and updated the macroeconomic projections related to the GDP components. The NAO FI submitted its comments and proposals on the draft EDS to the MoF.
4 September	**The MoF submitted the revised draft EDS to the NAO FI for approval.**
5 September	The NAO FI informed the MoF that it had no reasons not to endorse the draft EDS.
11 September	The MoF has made the 11 September 2025–2028 EDS publicly available on its website.
18 September	The NAO FI has made public on its website its opinion on the endorsement of the EDS 2025–2028, published in September. At the same time, the macroeconomic forecasts of the NAO FI were published.

* In order to ensure an independent assessment of the EDS project presented by the Ministry of Finance, the draft scenario will only be examined once the NAO FI has completed its forecasts.

Source: the National Audit Office, implementing the function of the fiscal institution