

Opinion

OPINION ON THE ECONOMIC DEVELOPMENT SCENARIO

21 September 2026

No. BPE-6



ACCORDING TO THE ASSESSMENT BY THE INDEPENDENT FISCAL INSTITUTION, AS THE MAJORITY OF FUNDS FROM THE II PENSION PILLAR REMAIN IN BANK ACCOUNTS, THEIR IMPACT ON ECONOMIC GROWTH WILL BE SMALLER THAN EXPECTED

The National Audit Office, as the Independent Fiscal Institution (hereinafter – IFI), submits to the Seimas its Opinion on the Economic Development Scenario for 2026–2029 (EDS) published by the Ministry of Finance (MoF) on 11 September. The opinion is submitted in accordance with the Law on Fiscal Governance of the Republic of Lithuania.

The Independent Fiscal Institution endorses the projections of the Ministry of Finance’s Economic Development Scenario of September 2026 for the percentage changes in GDP at current prices, GDP at constant prices, final consumption expenditure at current prices, and the wage bill. They are consistent with the specified assumptions and are based on relevant statistical data. The views of the IFI and the MoF on the prospects for the Lithuanian economy are similar. A description of the IFI’s forecasts is provided in Section 3 of the opinion, and the table of projections is provided in Annex 1.

Key messages from the IFI’s macroeconomic projections:

- Withdrawals from the second pillar of the pension system are higher than expected, but the impact on consumption is modest – the majority of the withdrawn funds remain in bank accounts.
- The economy is projected to grow by less than 3% in 2026, mainly due to domestic consumption being weaker than expected in March.
- With energy prices rising, inflation in Lithuania could reach 5% in 2026 and 3.7% the following year.
- In 2027, real GDP growth will be driven mainly by exports and investment, whilst rising inflation will prevent household consumption from growing at a faster rate.
- Labour market developments have been better than expected, with a high number of employed persons projected in the medium-term, although growth of wages will be slower.
- According to the IFI’s assessment, the 2026 revenue plan should be met; however, persistent economic uncertainty requires particularly cautious planning of the State budget’s revenue and expenditure for 2027–2029.

1. ASSESSMENT AND ENDORSEMENT OF THE ECONOMIC DEVELOPMENT SCENARIO

The Independent Fiscal Institution carried out an assessment of the 2026–2029 Economic Development Scenario published in September 2026¹. The IFI analysed the macroeconomic environment and prepared its own projections. In assessing the Ministry of Finance's EDS, the IFI examined the validity of the assumptions used therein, compared the scenario's projections with those of the IFI and other institutions, and applied the method of endorsement ranges and expert judgement.

The MoF and the IFI have projected key macroeconomic indicators for 2026–2029, which do not differ significantly. Taking into account the results for the first half of 2026 and the updated assumptions, the IFI and the MoF have revised downwards their projections for real GDP in 2026. The economy is expected to grow at the same rate this year as in 2025 (2.9%). The downward revision was driven primarily by a smaller-than-expected in March surge in household consumption, resulting from changes to the second pension pillar and by slower investment growth. Once the one-off impact on consumption has faded, economic growth will slow significantly in 2027, reaching just over 2% (2.4% according to the IFI and 2.2% according to the MoF). Anticipating slower growth among Lithuania's main export partners than expected in March, the IFI and MoF have revised downwards their projections for real export growth in 2027 and for the remainder of the medium-term. Nevertheless, economic growth in 2028–2029 is expected to be faster than in 2027. Real GDP growth will be driven primarily by household consumption and investment, whilst the contribution of net exports to GDP will remain neutral due to strong domestic demand.

Due to higher assumed energy prices, the IFI and the MoF have raised their inflation projections for 2026–2027. Both institutions forecast that inflation will reach 5.0% this year and will exceed 3% next year (3.7% according to the IFI and 3.3% according to the MoF). Inflation is projected to slow in subsequent years but will remain relatively high due to increases in excise duties and continuing rises in service prices. Taking into account the faster-than-expected in March price developments, the institutions have revised upwards their projections for GDP growth at current prices for 2026–2027. GDP at current prices is expected to grow by more than 8% this year, before growing at a slower pace next year (6.4% according to the IFI and 5.6% according to the MoF). Over the remainder of the medium-term, it is expected to grow at a rate of less than 6%. Given the rapid pace of price growth, both institutions forecast that final consumption expenditure at current prices will grow by more than 9% in 2026, before slowing over the remainder of the medium-term.

Average gross earnings are projected to rise faster this year than in 2025, and to grow by around 7% in 2027 (IFI: 6.8%; MoF: 7.2%). Although growth will slow down in the medium-term, it will still exceed inflation. Both institutions project that the labour market situation will remain stable between 2026 and 2029: no significant rise in the unemployment rate is expected, and the number of employed persons will not change significantly. The IFI and the MoF project that growth in the wage bill will reach 9.4% this year, before slowing to less than 6% in the medium-term. A more detailed description of the IFI's projections is provided in Section 3 of the opinion, and the table of projections is in Annex 1. The key indicators of the EDS for September 2026 are presented in Annex 2. The estimates of the IFI and the MoF may differ due to differing assumptions, models and expert judgement.

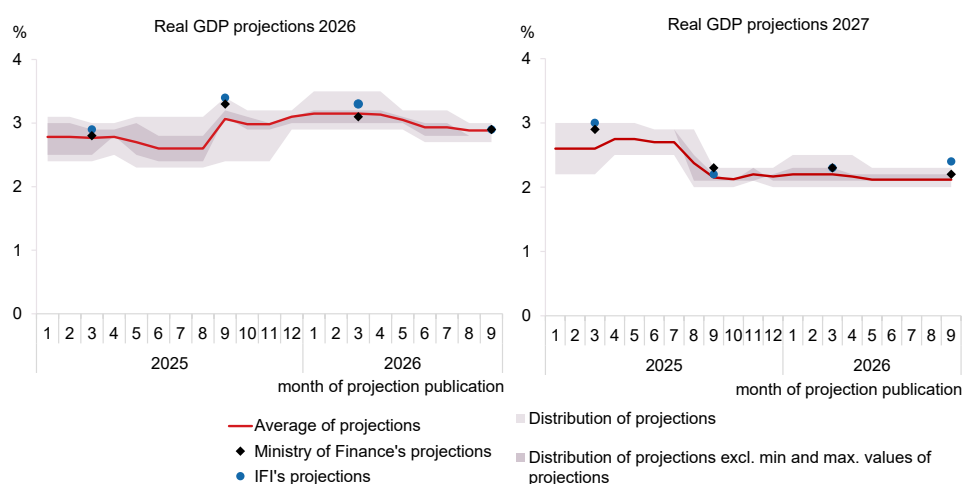
¹ The assessment and endorsement process, as well as the methods applied by the IFI, are defined in the description of the procedure for the Assessment and Endorsement of the EDS. Available online at https://www.valstybeskontrolė.lt/TVS/Content/Biudzeto_stebesena/ERS_vertinimo_ir_tvirtinimo_aprasas.pdf.

The IFI projections are treated as a benchmark when applying the endorsement ranges method. Based on this, the IFI has compiled uncertainty charts for the following EDS indicators² for 2026–2028: GDP at current and constant prices, real household consumption expenditure, the harmonised index of consumer prices, average gross monthly earnings, and the number of employed persons, all expressed as a percentage change (Annex 3). The projections for all indicators fall within 40% endorsement intervals. These represent the central range of the probability intervals, which is closest to the reference point (mode) for the IFI projections. 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 2029 is considered plausible based on the IFI's method for estimating potential GDP. The method is designed to verify the consistency of medium-term projections. According to the IFI's assessment, potential GDP³ is expected to grow by an average of around 2.8% annually between 2026 and 2029 (Table 1 in Annex 1). The Ministry of Finance projects that real GDP growth in 2029 will amount to 2.5%. This is in line with the IFI's estimate of potential GDP growth for 2029, which also stands at 2.5%.

The EDS's real GDP projections for 2026–2027, published in September 2026, are close to the average of other institutions' projections (Figure 1). Compared with March, the economic growth forecasts for 2026 are more moderate. The dispersion of forecasts from other institutions remains small, and assessments of economic developments are broadly in line: the average forecast for real GDP growth in 2026 stands at 2.9%, and for 2027 at 2.1% (Annex 4). The impact of the war in Iran on energy prices is contributing to the weaker growth outlook.

Figure 1. The MoF's and IFI's real GDP projections for 2026–2027, as of September 2026, are close to the average of other institutions



The following institutions are included in the range of projections: the European Commission, the International Monetary Fund, the Organisation for Economic Co-operation and Development, the Bank of Lithuania, Swedbank AB and SEB AB.

Source: Independent Fiscal Institution calculations

² Endorsement ranges were not directly set for all the macroeconomic indicators specified in the Law on Fiscal Governance; instead, they have been set for their components. Projections for the wage bill are assessed based on the endorsement ranges for the number of employed persons and the average gross monthly earnings. Projections of final consumption expenditure at current prices are assessed based on the endorsement ranges for real household consumption and the harmonised index of consumer prices.

³ The latest EDS projections from the MoF are used to estimate potential GDP. It should be noted that, due to differences in estimation assumptions and model specification, the estimates of potential GDP and output gap may differ between the IFI and the MoF.

The assumptions used in the September 2026 EDS are reasonable. The risks most likely to affect the development of the Lithuanian economy are related to the war in Iran. In the IFI's assessment, the September EDS is based on reasonable assumptions regarding the exchange rate, global economic developments and those of main export partners, and oil prices. The main downside risks that could affect Lithuania's economic development are linked to the geopolitical situation in the Middle East. As the war in Iran continues, uncertainty in energy markets persists. If energy prices do not fall, this would increase inflation and slow global economic growth. A more detailed description of the macroeconomic environment, assumptions and risks is provided in Section 2 of the opinion.

The IFI endorses the macroeconomic projections for fiscal planning set out in the Ministry of Finance's Economic Development Scenario of September 2026. In accordance with Council Directive⁴, budget planning must be based on the most likely or a more prudent macroeconomic fiscal scenario. Taking into account the prevailing uncertainty and having assessed the results of the methods listed above, the IFI endorses the projections for the Economic Development Scenario of September 2026 for the percentage changes in GDP at current prices, GDP at constant prices, final consumption expenditure at current prices, and the wage bill. These projections are suitable for fiscal planning.

During the EDS assessment, the institutions exchanged information:

- on 4 September, the IFI and the MoF exchanged their draft macroeconomic projections;
- on 8 September, a meeting took place at which the institutions discussed the assumptions underlying the projections, projections for real GDP and its components, and trends in price indices and average wages.

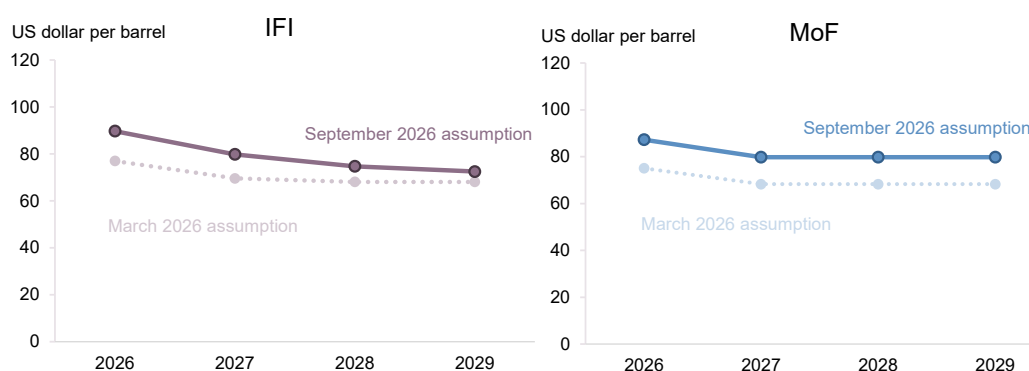
⁴ Council Directive 2024/1265/EU of 29 April 2024 on requirements for Member States' budgetary frameworks, Article 4(1). Available online: https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=OJ:L_202401265.

2. ANALYSIS OF THE MACROECONOMIC ENVIRONMENT AND EDS ASSUMPTIONS, RISKS TO THE DEVELOPMENT OF THE LITHUANIAN ECONOMY

In the IFI's assessment, the September EDS is based on reasonable assumptions regarding exchange rates, economic developments in the global economy and among 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 of preparing the projections⁵:

- In preparing the EDS, the MoF relied on assumptions regarding the euro-US dollar exchange rate published by the European Central Bank in June 2026. The IFI used actual data from August when preparing its exchange rate assumption. Both institutions project that the euro will be stronger against the US dollar in the medium-term than in 2025 (Table 2 in Annex 1 and Annex 2).
- The MoF and IFI's assumptions regarding global and European Union (EU) economic growth are in accordance with the projections published by the International Monetary Fund in July 2026, which forecast slower economic growth for both the global economy and the EU in 2026–2029 than had been expected in March. Both institutions have revised downwards their economic growth assumptions for main export partners.
- In formulating their oil price assumption, the MoF and the IFI relied on futures contracts, which suggest that the price of oil will be higher in the medium-term than was expected in March (Figure 2). Due to differences in data sources, the IFI applies a slightly higher oil price assumption for 2026. Furthermore, the IFI assumes that oil prices will fall in the period 2028–2029, whilst the MoF assumes that prices will remain stable. Given the prevailing uncertainty in the oil and currency markets, the IFI considers that such differences in assumptions are not significant.

Figure 2. Both the MoF and the IFI forecast that, in the medium-term, the price of oil will be higher than expected in March.



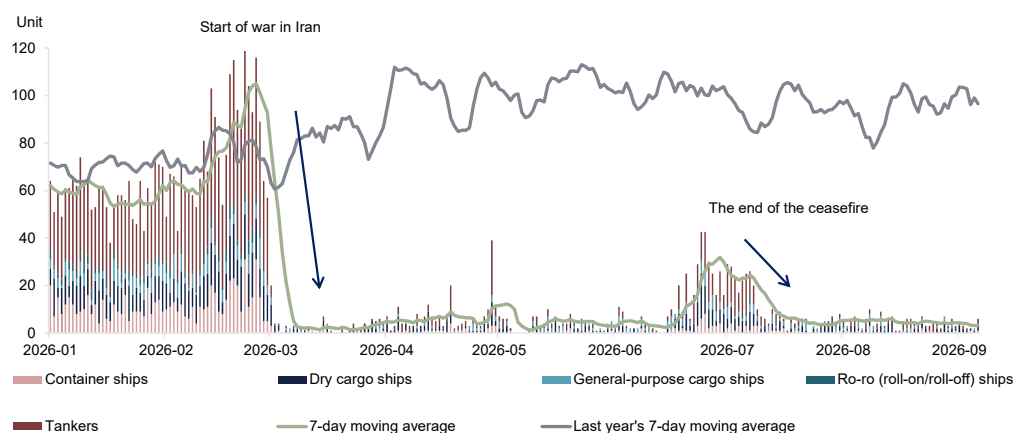
Source: Independent Fiscal Institution, Ministry of Finance

Geopolitical tensions and trade fragmentation are affecting the global economy. The war in Ukraine and heightened tensions in the Middle East are contributing to fluctuations in energy prices. In July, following the end of the ceasefire, renewed military action

⁵ It should be noted that the date on which statistical data and other information were incorporated into the scenario is 2 September 2026.

between the United States (US) and Iran once again restricted shipping through the Strait of Hormuz (Figure 3). Increased volatility in oil prices, caused by disrupted exports, is driving up inflation and may dampen global economic growth. Trade relations between the US and China remain tense, whilst high tariffs and trade restrictions continue to be a key factor driving the restructuring of supply chains and the redirection of investment towards alternative markets. At the same time, trade disputes between the US and Canada have intensified in recent months, increasing uncertainty in North American markets. The European Union must adapt to slower global trade growth and increasing international competition, particularly the pressure arising from China's excess production capacity. EU economic policy is also shaped by the need to increase defence spending whilst maintaining fiscal sustainability.

Figure 3. The renewed military operations in July 2026 once again significantly restricted shipping through the Strait of Hormuz



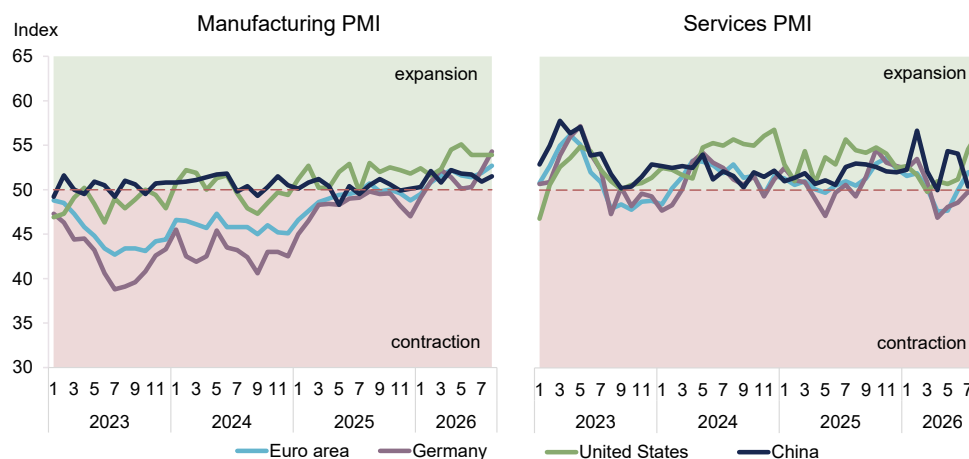
Source: <https://portwatch.imf.org/>

According to the IFI's assessment, the main risks that could affect the development of the Lithuanian economy in the medium-term are:

- **A prolonged rise in energy prices may have a greater impact on inflation than expected.** Increased geopolitical tensions remain a significant source of uncertainty for the global economy. The war in Iran has driven up the prices of energy resources and disrupted their supply. With gas prices on the rise, European gas storage facilities are less full than usual for this time of year. Due to potential disruptions to the supply of oil and liquefied natural gas, energy prices could remain higher for longer than is currently projected. This would increase inflationary pressure and reduce the purchasing power of households in Lithuania.
- **The fragmentation of international trade could have a negative impact on exports.** Protectionist tendencies and tensions between major economies are increasing the risk of international trade fragmentation. Weaker foreign demand could have a negative impact on the growth of Lithuanian exports.
- **A slower-than-expected recovery of the global economy and among Lithuania's export partners could have a negative impact on economic growth.** The Purchasing Managers' Index (a leading indicator of economic activity) in recent months suggests that economic growth in the Euro area (EA) is on the horizon (Figure 4). Data from Germany point to a contraction in the services sector and expansion in the manufacturing sector. Indicators of economic activity in the US

and China also remain favourable. However, higher energy prices could increase production costs and reduce the competitiveness of European industry. Furthermore, persistent inflationary pressures may prompt central banks to raise interest rates, which would dampen investment and consumption. Due to these factors, economic growth in the global and Euro area economies could slow, which would also have a negative impact on Lithuanian exports and economic growth.

Figure 4. In August 2026, rapid expansion was observed in the German manufacturing sector



PMI – Purchasing Managers' Index.

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

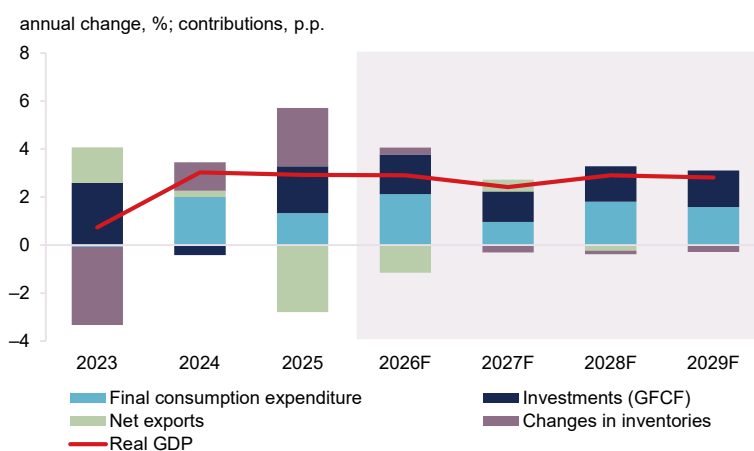
- **Climate change may increase inflation.** The European Commission's Joint Research Centre reported in August that prolonged heatwaves and severe water shortages have significantly worsened the outlook for summer crop yields in Western and Central Europe. It is forecasted that the summer crop yield could be up to 14% lower than the average for the past five years⁶. Increasingly frequent extreme weather events of this nature could disrupt agricultural production and supply chains in the future. This would increase fluctuations in food prices and have a negative impact on certain sectors of the economy.
- **Strengthening the defence industry would stimulate faster economic growth in the EU.** As EU countries increase defence spending, this could encourage industrial development, technological progress and investment in related sectors. Greater public investment could have a positive impact on employment and productivity. However, rapidly rising expenditure would increase fiscal pressure; consequently, in the long-term, some countries may have to adopt a tighter fiscal policy to ensure the sustainability of public finances.
- **Higher consumption could provide a greater boost to Lithuania's economic growth.** Household consumption might grow more rapidly due to rising real incomes, lower savings and the reform of the second pension pillar. Positive net migration would continue to increase the labour supply and domestic consumption.

⁶ Available online: https://joint-research-centre.ec.europa.eu/jrc-news-and-updates/exceptionally-dry-and-hot-weather-threatens-summer-crops-2026-08-24_en.

3. ECONOMIC OUTLOOK FORECASTS BY THE INDEPENDENT FISCAL INSTITUTION FOR 2026–2029

With domestic demand growing more slowly than expected in March, this year's economic growth forecast is being revised downwards to 2.9%, whilst in 2027 real GDP is expected to increase by 2.4%. In the first half of 2026, Lithuania's economy grew by 3.3% year-on-year, although economic performance was not consistent over that period. In the first quarter of this year, annual real GDP growth slowed to 2.5%, influenced by an unusually cold winter, which restricted construction activity. In the second quarter, economic growth accelerated significantly, reaching 4.1%. This was one of the fastest rates of change in GDP in the EU⁷. This GDP growth in Lithuania was driven by a surge (albeit not as strong as expected in March) in household consumption, spurred by withdrawals from the second pension pillar, and by a recovery in public sector investment. All sectors of the economy contributed to gross value-added growth this quarter, with the strongest performance coming from manufacturing, retail and wholesale trade, transport and storage, and construction. The IFI expects that economic growth in the second half of this year will be slower than in the first half. This will be driven by a smaller-than-expected scale of withdrawals from the second pension pillar compared with the first quarter, whilst manufacturing performance may be constrained by risks arising from high energy prices and weaker demand from Lithuania's main trading partners. The IFI projects that in 2026, real GDP will grow at the same rate as in 2025 (2.9%) (Figure 5).

Figure 5. The IFI projects that real GDP will grow at the same rate in 2026 as in 2025, whilst growth will slow to 2.4% in 2027.



F – forecast.

Source: State Data Agency, Independent Fiscal Institution

The real GDP growth forecast for 2026 has been revised downwards considering the statistical data for the first half of the year. The downward revision was largely driven by slower-than-expected in March growth in household consumption. Analysis shows that in the second quarter residents kept most of the money withdrawn from the second pension pillar in bank accounts (Box). Nevertheless, household consumption will remain one of the most important drivers of Lithuania's economic growth this year. It is projected that, once the one-off surge in consumption has subsided, the country's economic growth will slow to 2.4% in 2027. In that year, real GDP growth will be driven primarily by exports and investment,

⁷ Real GDP in the second quarter of 2026 grew at a faster annual rate in Slovenia (5.0 %), Denmark (4.7 %) and Malta (4.5 %) than in Lithuania.

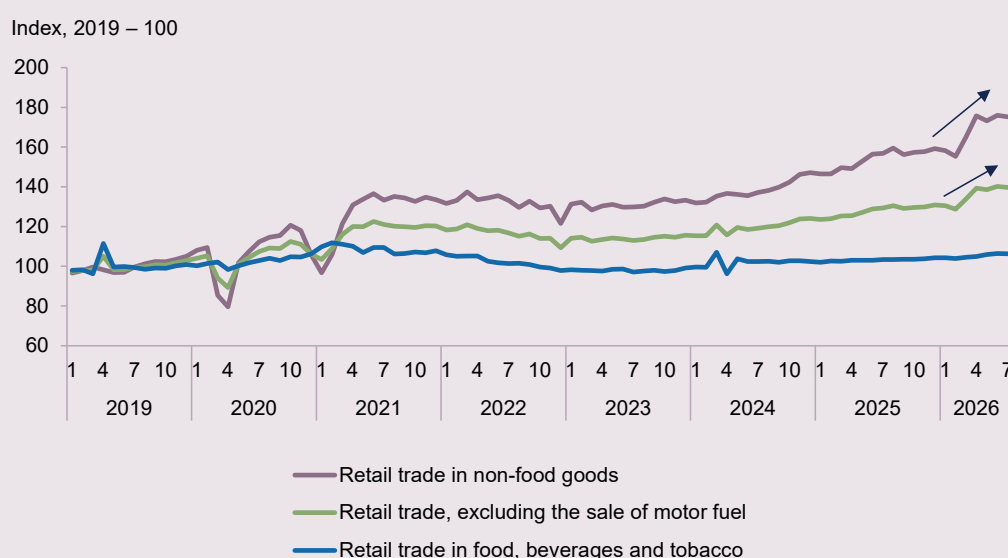
whilst household consumption will be adversely affected by inflation that is faster than expected in March. Real GDP is expected to grow at a rate of less than 3% for the remainder of the medium-term (Annex 1 Table 1). Compared with the March projections, the real GDP projections for 2028–2029 have been revised downwards to reflect the assumption of slower growth among Lithuania's export partners.

Box. The impact of changes to the second pension pillar on the national economy in the second quarter of 2026.

Given a higher-than-expected rate of withdrawal from the second pension pillar, households were paid out nearly 3 billion EUR in April. Following the transition to a voluntary accumulation model in 2026, residents were given the opportunity to withdraw from the second pillar of the pension system by the end of 2027. In the first quarter of this year, nearly 40% of participants (550 thousand) decided to stop saving for their pension and withdraw their money. This is a particularly significant scale of withdrawal. By way of comparison, in Estonia in 2021, 20% of participants withdrew from the system during the first phase. In April this year, residents in Lithuania who had stopped saving were paid out 2.9 billion EUR, of which 1.4 billion EUR consisted of their own contributions and 1.5 billion EUR was the return on pension fund investments. During the second window for withdrawing from pension funds (April–June), more than 115 thousand residents terminated their savings, and in July they were paid out 672.4 million EUR.

In the second quarter of 2026, retail trade in non-food goods increased, but household consumption was weaker than projected. As early as April, when residents received their second-pillar pension funds, retail turnover (excluding fuel) surged and remained elevated throughout the second quarter (Figure 1 in the Box). Seasonally and calendar adjusted, turnover in the second quarter rose by 6.3% compared with the first quarter. This was driven by trade in non-food goods, where turnover increased in almost all categories of non-food goods. For example, turnover from the sale of audio and video equipment, metal products, furniture and lighting equipment was more than 16% higher than in the first quarter. During this period, online sales grew by one tenth. In July, retail trade excluding fuel remained 8.0% higher than a year ago. However, the surge in consumption was more subdued than expected in March. According to the IFI's estimates, in the second quarter of this year, out of the 2.9 billion EUR paid in second pension pillar funds, residents spent more than 0.5 billion EUR on consumption⁸.

Figure 1. A surge in retail trade was recorded in April 2026, driven by sales of non-food goods



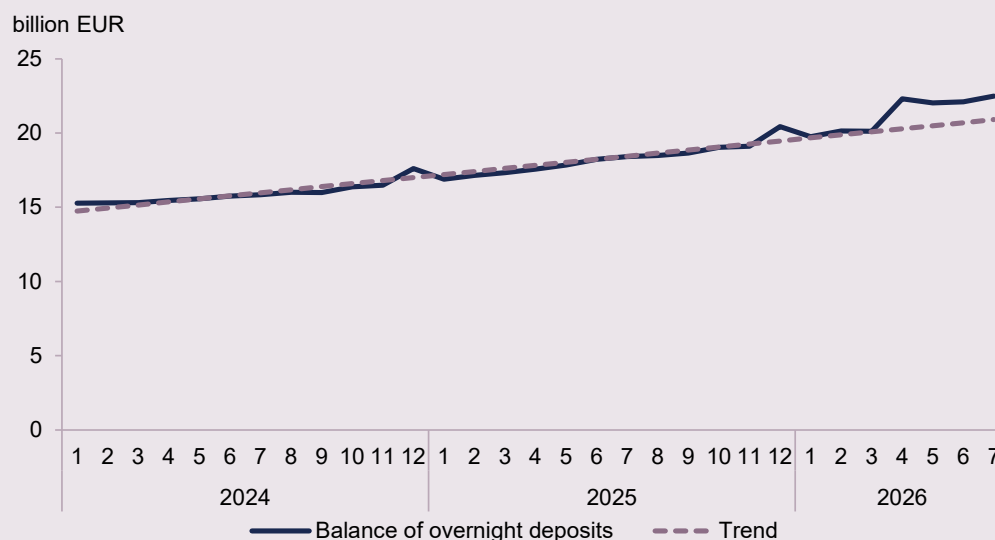
Seasonally and calendar adjusted.

Source: State Data Agency, calculations by the Independent Fiscal Institution

⁸ Estimated on the basis of retail trade data for non-food goods and including VAT.

Withdrawals from the second pension pillar have filled people's bank accounts, but no significant increase in fixed-term deposits has been observed. According to data from the Bank of Lithuania, households' overnight deposits (which essentially correspond to the funds held in current accounts) grew by an average of almost 17% year-on-year between January and March this year, reaching 20.1 billion EUR in March (Figure 2 in the Box). In April, the withdrawal of funds from the second pension pillar significantly increased the amounts held in residents' bank accounts: the balance of overnight deposits was 27% higher than a year earlier, reaching 22.3 billion EUR. In July, the balance of these deposits remained elevated at 22.5 billion EUR. Meanwhile, no significant growth in fixed-term deposits has been observed: on average, between April and July, they were 1% higher than in the same period last year. As the money withdrawn by households remains in bank accounts, its purchasing power will be eroded by the acceleration in inflation this year.

Figure 2. In April–July of 2026, residents' overnight deposits increased significantly



Source: Bank of Lithuania, calculations by the Independent Fiscal Institution

No significant price increases related to the disbursement of second pension pillar funds were observed in the second quarter of 2026. Data on the harmonised index of consumer prices (HICP) for the second quarter, classified by main categories, show that inflation in Lithuania was strongly influenced by the energy component (see page 14 of the opinion). When comparing changes in the HICP for the second quarter with the average changes for 2005–2025, no significant increases in price growth rates are observed in most components (Figure 3 in the Box). The biggest differences are recorded in the transport category due to higher fuel prices; in the housing, water, electricity, gas and other fuels category – due to rising energy prices and the abolition of VAT exemptions for heating; and in the alcohol and tobacco components – due to increased excise duties. Prices for leisure activities also rose slightly above the long-term average.

In July, annual inflation in Lithuania stood at 5.4% and was among the highest in the EU; however, from a historical perspective, prices in Lithuania are rising faster than the EU average⁹. Lithuania is characterised by a faster growth of gross earnings, and prices for most services are still below the EU average. Lithuania's household inflation is more sensitive to changes in energy prices, as energy goods account for a higher proportion of the HICP basket than the EU average. In the second quarter, the gap between Lithuanian inflation and the EU average continued its long-term trend – the difference stood at around 2 percentage points.

⁹ Between 2005 and 2025, average annual inflation in the EU stood at 2.4 %, whilst in Lithuania it was 4.2 %. In the second quarter of 2026, inflation in the EU stood at 3.2 %, whilst in Lithuania it was 5.1 %.

Figure 3. Compared with the long-term average, prices in Lithuania rose most significantly in the second quarter in the categories of transport, housing and utilities, and alcohol



Source: State Data Agency, calculations by the Independent Fiscal Institution

Statistical data do not yet indicate a significant increase in the number of housing transactions in the second quarter. According to data from the Centre of Registers, following a surge in the number of residential property (flats and houses) transactions in 2021, market activity has declined significantly (Figure 4 in the Box). Although the number of transactions in this year's June was almost 12% higher than a year ago, a downward trend is still being observed. According to data from the Bank of Lithuania, the growth in housing prices based on repeat transactions – recorded even before residents began withdrawing funds from the second pension pillar – is in double figures and continues to rise¹⁰. The growth rate of housing prices significantly outpaces the growth of gross earnings, affordability is deteriorating, and this limits market activity. An earlier analysis by the Bank of Lithuania¹¹ showed that funds withdrawn from the second pension pillar would stimulate the real estate market; however, only around 6% of households saving for a pension will not face financial constraints when using these funds to secure a mortgage. It is therefore likely that only a small proportion of the funds withdrawn by residents in the second quarter was used to purchase a home.

Figure 4. Since 2025, the number of housing transactions has been growing at a slower pace



Source: Centre of Registers, calculations by the Independent Fiscal Institution

¹⁰ In July 2026, the annual rate of change in housing prices for repeat transactions (3-month moving average) in the country stood at 18.1 %. The figure has remained in double figures for 13 consecutive months since July 2025, when it stood at 10.5 %.

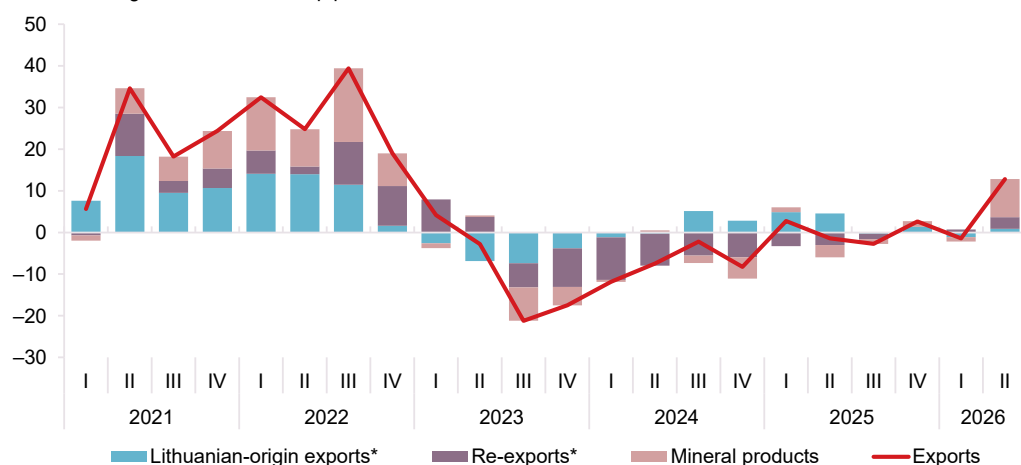
¹¹ Available online: <https://www.lb.lt/lt/lfsb-finansinio-stabilumo-apzvalga>.

Real export projections for 2026 are being revised upwards due to favourable first half of the year data, whilst medium-term projections are being revised downwards due to foreign demand expected to be weaker than anticipated in March.

In the first half of this year, Lithuania's real exports of goods and services grew by 4.8%, whilst imports of goods and services rose by 6.6%. Following a contraction in the first quarter, exports of goods recovered in the second quarter and grew by 4.2% year-on-year. During this period, the value of goods exports (at current prices) was driven primarily by exports of mineral products and re-exports (excluding mineral products) (Figure 6). As trade with Eastern countries declined and trade with EU countries increased, the value of re-exports (excluding mineral products) rose by almost a tenth. Meanwhile, the value of Lithuanian-origin exports of goods (excluding mineral products) increased only slightly. This was mainly due to a decline in exports of products of animal origin, furniture and various chemical products. The value of goods exports was also boosted by a sharp rise in export prices. It is worth noting that in the second quarter of 2026, the value of exports of services exceeded that of Lithuanian-origin goods¹². However, risks associated with high energy prices and weaker foreign demand may mean that export growth in the second half of the year will be slower than in the first half. Taking this into account, along with the favourable foreign trade data for the first half of this year, the IFI is raising its projection for real export growth in 2026 to 4.3%, and for imports to 5.8%. Due to the projected slower-than-expected GDP growth of Lithuania's trading partners than anticipated in March, the country's export growth projections for 2027–2029 are being revised downwards (Annex 1 Table 1). Although domestic demand will remain strong, real imports are projected to grow more slowly in the medium-term than this year.

Figure 6. Following a contraction in the first quarter, exports of goods recovered in the second quarter – their value (at current prices) was driven mainly by exports and re-exports of mineral products

annual change, %; contributions, p.p.



* excluding mineral products

Source: State Data Agency, calculations by the Independent Fiscal Institution

Following an uneven performance in the first half of the year, the forecast for investment growth this year has been revised downwards, with more moderate growth expected in 2027.

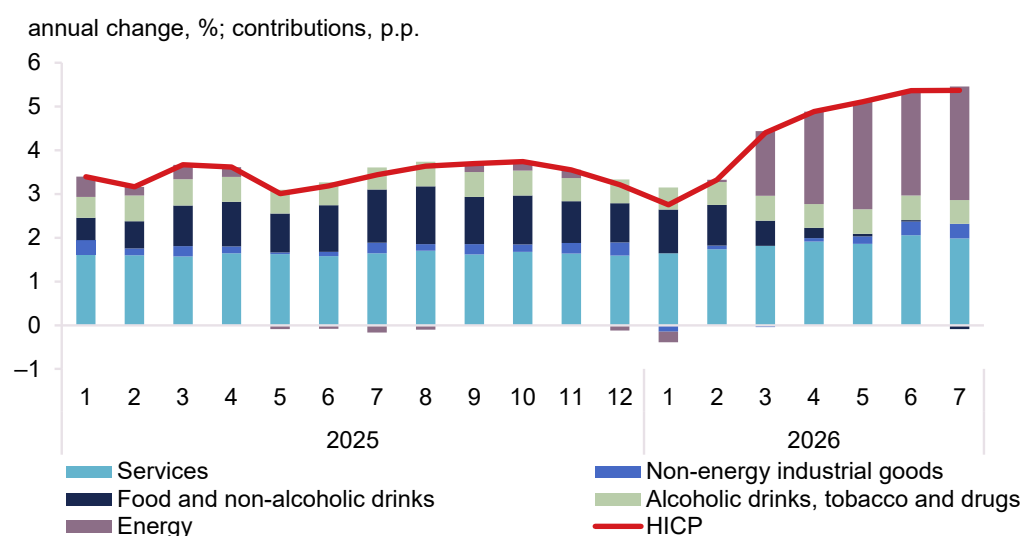
In the first half of 2026, the quarter-on-quarter dynamics in real gross fixed capital formation (investments or GFCF) was uneven. In the first quarter of 2026, investments fell by 2.6% year-on-year, but in the second quarter they rebounded and grew by 8.9%. The result for the first half of the year was mainly driven by growth in investment in construction, which accounts for the largest share of GFCF, whilst investment in machinery

¹² Based on a four-quarter moving average.

and equipment had a negative impact. Data on tangible investment show that in the second quarter of 2026, growth continued in the private sector, whilst public sector investment recovered. The IFI forecasts GFCF growth of 6.5% for 2026. This will be supported by higher-than-usual inflows of EU funds (2026 is the final year in which Lithuania can receive funding under the Recovery and Resilience Facility) and rising expenditure on defence infrastructure. In 2027, as EU support wanes, GFCF growth is expected to reach 4.9%. For the remainder of the forecast period, the rate of investment growth will converge towards the long-term average and exceed 5% (Table 1 in Annex 1).

With the rise in energy prices, inflation could reach 3.7% in 2027. The annual growth in the harmonised index of consumer prices (HICP) for January–August stood at 4.6%. The rapid rise in prices was mainly driven by higher energy costs (Figure 7). According to the IFI's assessment, inflation will stand at 5% in 2026. Taking into account the rise in futures prices for energy resources, the HICP growth forecast for 2027 has been revised upwards to 3.7%. Inflation is expected to slow in 2028–2029 but will remain relatively high due to rising excise duties and continued increases in service prices. Due to the higher inflation forecast, the IFI also anticipates faster growth in the GDP deflator in 2026–2027. In the medium-term, the GDP deflator is likely to rise slightly faster than the HICP, mainly due to higher growth of the general government sector deflator. Faster growth in export prices relative to import prices will also contribute to this trend in 2026–2027.

Figure 7. From May 2026, the energy component accounts for almost half of the rate of price growth



Source: State Data Agency, calculations by the Independent Fiscal Institution

Labour market developments remain favourable, but challenges persist. In the first half of 2026, the number of employed persons rose by 1% compared with the same period a year earlier. The labour force was boosted by positive net migration and a higher labour force participation rate. According to data from the Migration Department, on 1 September the number of people holding a residence permit in Lithuania was around 17 thousand higher than last year. The number of employed persons rose significantly (by 11.6%) in the manufacturing sector, where it reached its highest level since 2008. Meanwhile, the number of employees in the public sector, particularly in public administration and education, fell. The unemployment rate fell by 0.3 percentage points year-on-year, standing at 6.8% in the first half of 2026, whilst the job vacancy rate remained at historic highs, indicating that

labour market tightness¹³ is not easing. According to data from the Employment Service's employer opinion survey¹⁴, the shortage of skilled workers remains one of the greatest challenges. Furthermore, according to the European Commission's assessment¹⁵, mismatch unemployment in Lithuania is among the highest in the European Union. This means that the unemployed do not meet employers' requirements in terms of skills and place of residence. In the medium-term, this structural obstacle may limit growth in the number of employed persons and prevent a faster decline in the unemployment rate. IFI projects that, in the medium-term, the number of employed persons will fall moderately but will remain high, at around 1.46 million. In 2027, the unemployment rate will remain at 6.7% and will gradually decline until it reaches 6.5% in 2029.

The growth of gross earnings remains rapid. In the first half of this year, the growth of gross earnings in Lithuania stood at 9.7% year-on-year, exceeding expectations from March. This rapid growth was driven by wage increases in the education sector (15.9%); in the private sector, gross earnings rose more slowly but still at a rapid pace of 9%. However, the growth of gross earnings has been outpacing labour productivity growth for some time now. This situation is not sustainable in the long-term and may pose challenges for businesses due to rising costs and declining competitiveness in the international market. Taking into account the emerging challenges, the slower rate of increase in the minimum monthly wage in 2027 compared with recent years, and the absence of decisions on public sector pay rises for 2027–2029, IFI projects a slowdown in the growth of gross earnings over the medium-term. Due to labour market tightness and inflation, this growth will remain fairly rapid – reaching 6.8% in 2027 and slowing to 6% in 2029. Decisions to increase gross earnings in the public sector would lead to faster growth than is currently forecasted.

As the majority of the funds withdrawn from the second pension pillar are currently remaining in bank accounts, this year's projection for private consumption growth has been revised downwards, whilst higher inflation will dampen growth in 2027. In the first half of 2026, real household consumption expenditure grew by 4.2% year-on-year. Although the scale of withdrawals from the second pillar exceeded expectations, the impact on consumption was smaller than anticipated, since a significant proportion of the withdrawn funds was not spent but instead added to household savings (see the Box for further details). Furthermore, as inflation has accelerated since the start of the year, household purchasing power has grown at a slower pace. Nevertheless, according to data from the August 2026 consumer survey, the consumer confidence index is at its highest level since the start of the conflict in Iran. The IFI forecasts that household consumption expenditure will grow by 3.9% in 2026. It is assumed that up to 1 billion EUR may be spent on consumption from second pension pillar funds this year (representing around 5% of annual retail turnover). In 2027, as the impact of changes to the second pillar of the pension system subsides and inflation rises, consumption will grow more slowly – by 1.8%. Towards the end of the two-year period during which it is possible to withdraw from the second pension pillar, the scale of withdrawals is expected to rise slightly again, and, according to the IFI's assessment, around 0.3 billion EUR could be allocated to consumption from the withdrawn funds. Together with more moderate price growth, this should lead to faster growth in consumption in 2028 compared with 2027 (Table 1 in Annex 1). Towards the end of the medium-term, provided the labour market situation remains stable, household consumption expenditure could grow by 3%.

¹³ A situation where the supply of labour is limited and demand is high.

¹⁴ Available online: <https://karjerastau.uzt.lt/data/public/uploads/2026/02/dapkl2025-ataskaita-2026-02-18.pdf>.

¹⁵ Available online: <https://ec.europa.eu/eurostat/en/web/products-statistical-working-papers/w/ks-01-26-043>.

4. IMPACT OF MACROECONOMIC DEVELOPMENTS ON BUDGET REVENUE

According to the IFI's assessment, when comparing the EDS forecasts of September 2026 and September 2025, higher tax bases may result in increased revenue from personal income tax and value-added tax, which would offset potential shortfall in corporate income taxes collection. A comparison of the EDS forecasts of September 2026 and September 2025 – on the basis of which the Law on the Approval of the Financial Indicators of the 2026 State and Municipal Budgets was drawn up – shows that the tax bases for the main taxes have been revised (Table 1). Projections for all indicators for 2026–2028 have been revised upwards. Although corporate income taxes may be lower than expected¹⁶, the IFI estimates that the revenue plan for 2026–2028 will be met, as lower corporate income taxes will be offset by higher revenue from other taxes. It is important to note that, due to ongoing uncertainty, the economic situation may change significantly; therefore, the State budget's revenue and expenditure should be planned with caution. The IFI will present its revenue projections alongside its assessment of the 2027–2029 Draft Budget Plan.

Table 1. When comparing the EDS for September 2026 with that for September 2025, the macroeconomic indicators relevant to revenue forecasting were reviewed

Macroeconomic indicators	2025	2026F	2027F	2028F
Rate of change, %				
Wage bill	9.6 (8.6) ▲	9.4 (7.5) ▲	7.0 (5.7) ▲	6.4 (5.8) ▲
GDP at current prices	6.7 (6.4) ▲	8.5 (6.7) ▲	5.6 (5.0) ▲	5.8 (5.4) ▲
Final consumption expenditure at current prices	6.7 (7.3) ▼	9.4 (7.2) ▲	5.5 (4.6) ▲	5.5 (5.4) ▲
Billion EUR				
Wage bill	34.11 (33.82) ▲	37.32 (36.37) ▲	39.94 (38.46) ▲	42.49 (40.68) ▲
GDP at current prices	84.26 (83.46) ▲	91.42 (89.07) ▲	96.53 (93.57) ▲	102.12 (98.62) ▲
Final consumption expenditure at current prices	62.27 (62.62) ▼	68.12 (67.13) ▲	71.88 (70.23) ▲	75.81 (73.99) ▲

The macroeconomic indicators in parentheses are based on the EDS as of 11 September 2025.

F – forecast

Source: Ministry of Finance, calculations by the Independent Fiscal Institution

The National Audit Office of the Republic of Lithuania, as the Independent Fiscal Institution, carried out an assessment and issued an opinion of the Economic Development Scenario for 2026–2029 prepared by the Ministry of Finance of the Republic of Lithuania and published on 11 September 2026. In accordance with Article 3(2) of the Law on Fiscal Governance of the Republic of Lithuania and Article 8(7)(1) 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 Fiscal Monitoring Centre

Jurga Rukšėnaitė

Reuse of this document is permitted under the Creative Commons Attribution 4.0 International (CC BY 4.0) licence: reuse is permitted provided that authorship and any modifications are properly attributed.

Cover photo: <https://www.magnific.com>.

¹⁶ According to data from the Ministry of Finance, this was influenced by slower growth in taxable profits in 2025, increased uptake of the corporate income tax relief for investments in technological modernisation, and other factors. Available online: <https://finmin.lrv.lt/lt/naujienos/sausioliepos-menesiu-valstybes-biudzeto-ir-savivaldybiu-biudzetu-pajamu-surinkimas-ifx/>.

ANNEXES

Opinion on the Economic
Development Scenario
Annex 1

MACROECONOMIC FORECASTS OF THE INDEPENDENT FISCAL INSTITUTION FOR 2026–2029 AND MAIN ASSUMPTIONS

Table 1. IFI macroeconomic forecasts for 2026–2029

Indicators	2025	2026F	2027F	2028F	2029F
GDP at constant prices					
GDP, million EUR	62,071.8	63,875.2	65,416.6	67,314.8	69,209.0
GDP, rate of change, %	2.9	2.9 (3.3) ▼	2.4 (2.3) ▲	2.9 (3.1) ▼	2.8 (3.0) ▼
GDP components at constant prices, rate of change, %					
Household consumption expenditure	2.1	3.9 (4.9) ▼	1.8 (1.4) ▲	3.4 (3.6) ▼	3.0 (3.4) ▼
General government consumption expenditure	1.0	0.4 (0.4)	0.1 (0.1)	0.1 (0.1)	0.1 (0.1)
Gross fixed capital formation	8.0	6.5 (6.7) ▼	4.9 (4.2) ▲	5.5 (5.5)	5.5 (5.5)
Exports of goods and services	5.3	4.3 (2.4) ▲	3.7 (3.9) ▼	3.7 (4.0) ▼	3.7 (4.0) ▼
Imports of goods and services	9.3	5.8 (3.5) ▲	3.2 (3.1) ▲	4.1 (4.1)	3.8 (4.1) ▼
GDP and final consumption expenditure at current prices					
GDP, million EUR	84,258.0	91,211.6	97,014.4	102,315.5	107,799.8
GDP, rate of change, %	6.7	8.3 (6.4) ▲	6.4 (5.5) ▲	5.5 (5.7) ▼	5.4 (5.6) ▼
Final consumption expenditure, million EUR	62266.7	68,050.6	71,880.2	76,048.8	79,955.5
Final consumption expenditure, rate of change, %	6.7	9.3	5.6	5.8	5.1
Price indicators, rate of change, %					
GDP deflator	3.6	5.2 (3.0) ▲	3.9 (3.2) ▲	2.5 (2.5)	2.5 (2.5)
Household consumption expenditure deflator	3.5	5.0 (3.9) ▲	3.7 (2.8) ▲	2.3 (2.4) ▼	2.3 (2.4) ▼
Exports of goods and services deflator	0.0	5.7 (2.5) ▲	0.1 (0.3) ▼	1.4 (1.5) ▼	1.4 (1.5) ▼
Import of goods and services deflator	−1.5	4.6 (3.2) ▲	−1.0 (−0.8) ▼	1.4 (1.5) ▼	1.4 (1.5) ▼
Harmonised index of consumer prices (annual average)	3.4	5.0 (3.9) ▲	3.7 (2.8) ▲	2.3 (2.4) ▼	2.3 (2.4) ▼
Labour market indicators					
Number of employed persons, in thousands of persons	1,462.8	1,468.7	1,467.2	1,464.2	1,461.3
Change in the number of employed persons, %	−0.1	0.4 (0.0) ▲	−0.1 (0.0) ▼	−0.2 (−0.2)	−0.2 (−0.2)
Unemployment rate, %	6.9	6.7 (6.9) ▼	6.7 (6.8) ▼	6.6 (6.7) ▼	6.5 (6.6) ▼
Average monthly gross earnings, EUR	2,411.4	2,628.2	2,806.7	2,986.0	3,164.2
Change in average gross monthly earnings, %	8.5	9.0 (7.9) ▲	6.8 (7.0) ▼	6.4 (6.4)	6.0 (6.0)
Wage bill, million EUR	34,107.4	37,321.8	39,817.4	42,275.8	44,710.5
Wage bill, rate of change, %	9.6	9.4 (7.9) ▲	6.7 (7.0) ▼	6.2 (6.2)	5.8 (5.8)
Labour productivity, rate of change, %	3.0	2.5 (3.3) ▼	2.5 (2.3) ▲	3.1 (3.3) ▼	3.0 (3.2) ▼
Changes in potential GDP and the output gap, %					
Potential GDP	3.1	3.0 (3.0)	2.8 (2.9) ▼	2.7 (2.7)	2.5 (2.6) ▼
Output gap (% of potential GDP)	0.2	0.0 (0.0)	−0.7 (−0.5) ▼	−0.8 (−0.5) ▼	−0.9 (−0.5) ▼

The projections in parentheses are the March 2026 IFI projections.

The projections are based on information and data published up to 1 September 2026.

In accordance with the description of evaluation and endorsement of the EDS, the indicators endorsed by the IFI are highlighted in a purple background.

F – forecast.

Source: State Data Agency, Independent Fiscal Institution

Table 2. Main assumptions of the macroeconomic forecasts of the IFI

Indicator	2025	2026F	2027F	2028F	2029F
US dollar to euro exchange rate*	1.13	1.16 (1.16)	1.16 (1.16)	1.16 (1.16)	1.16 (1.16)
World GDP growth, %**	3.5	3.0	3.4	3.4	3.4
European Union GDP growth, %**	1.6	1.2 (1.5) ▼	1.4 (1.6) ▼	1.4 (1.6) ▼	1.4 (1.6) ▼
Growth of Lithuania's main export markets, %***	1.6	1.3 (1.7) ▼	1.5 (1.8) ▼	1.5 (1.8) ▼	1.5 (1.8) ▼
Oil prices (<i>Brent</i> , USD per barrel)****	69.1	89.7 (77.0) ▲	79.8 (69.6) ▲	74.7 (68.1) ▲	72.5 (68.1) ▲

* The exchange rate for the forecast period remains as recorded between 17 August and 28 August 2026.

** Based on information from the International Monetary Fund published on 8 July 2026.

*** Based on the methodology applied by the IFI.

**** 10- day average of futures contracts from 17 August 2026 to 28 August 2026.

The main assumptions of the March 2026 projections of the IFI are shown in parentheses.

F – forecast.

Source: Independent Fiscal Institution

PROJECTIONS AND MAIN ASSUMPTIONS FOR THE ECONOMIC DEVELOPMENT SCENARIO FOR 2026–2029 BY THE MINISTRY OF FINANCE

Table 1. Projections of the Ministry of Finance's Economic Development Scenario for September 2026

Indicator, %	2025	2026F	2027F	2028F	2029F
Key macroeconomic indicators, %					
GDP at constant prices	2.9	2.9 (3.1) ▼	2.2 (2.3) ▼	2.6 (2.8) ▼	2.5 (2.6) ▼
Household consumption expenditure	2.1	3.7 (4.5) ▼	2.2 (2.2)	2.9 (3.4) ▼	2.7 (3.0) ▼
General government consumption expenditure	1.0	0.4 (0.1) ▲	0.2 (0.1) ▲	0.2 (0.1) ▲	0.2 (0.1) ▲
Gross fixed capital formation	8.0	4.6 (5.7) ▼	4.8 (4.5) ▲	4.4 (4.4)	4.4 (4.4)
Exports of goods and services	5.3	4.1 (2.7) ▲	3.2 (3.6) ▼	3.2 (3.6) ▼	3.2 (3.6) ▼
Imports of goods and services	9.3	4.7 (3.7) ▲	3.5 (3.6) ▼	3.7 (3.9) ▼	3.6 (3.8) ▼
GDP at current prices	6.7	8.5 (6.6) ▲	5.6 (5.0) ▲	5.8 (5.5) ▲	5.4 (5.3) ▲
Final consumption expenditure at current prices	6.7	9.4	5.5	5.5	5.0
Price indicators, %					
GDP deflator	3.6	5.5 (3.4) ▲	3.4 (2.6) ▲	3.1 (2.6) ▲	2.8 (2.6) ▲
Harmonised index of consumer prices (annual average)	3.4	5.0 (3.7) ▲	3.3 (2.4) ▲	2.8 (2.4) ▲	2.4 (2.4)
Labour market indicators, %					
Change in average gross monthly earnings	8.5	9.4 (7.9) ▲	7.2 (6.1) ▲	6.5 (5.7) ▲	6.0 (5.7) ▲
Unemployment rate (according to the Labour Force Survey methodology)	6.9	6.8 (6.8)	6.9 (6.9)	6.8 (6.8)	6.8 (6.8)
Change in the number of employed persons (according to the Labour Force Survey methodology)	−0.1	0.3 (0.1) ▲	−0.2 (−0.1) ▼	−0.1 (−0.1)	−0.1 (−0.1)
Wage bill	9.6	9.4 (8.1) ▲	7.0 (6.0) ▲	6.4 (5.7) ▲	5.9 (5.6) ▲

Date of inclusion of statistical data and other information in the scenario – 2 September 2026.

The projections in parenthesis are from the Economic Development Scenario of 24 March 2026.

In accordance with the description of evaluation and endorsement of the EDS, the indicators endorsed by the IFI are highlighted in a purple background.

F – forecast.

Source: Ministry of Finance

Table 2. Main assumptions for the September 2026 Economic Development Scenario of the Ministry of Finance

Indicator	2025	2026F	2027F	2028F	2029F
US dollar to euro exchange rate*	1.13	1.17 (1.16) ▲	1.17 (1.16) ▲	1.17 (1.16) ▲	1.17 (1.16) ▲
World GDP growth, %**	3.5	3.0	3.4	3.4	3.4
European Union GDP growth, %**	1.6	1.2 (1.5) ▼	1.4 (1.6) ▼	1.4 (1.6) ▼	1.4 (1.6) ▼
Growth of Lithuania's main export markets, %***	2.3	1.8 (2.1) ▼	2.0 (2.2) ▼	2.0 (2.2) ▼	2.0 (2.2) ▼
Oil prices (Brent, USD per barrel)****	68.0	87.3 (75.1) ▲	79.8 (68.3) ▲	79.8 (68.3) ▲	79.8 (68.3) ▲

* European Central Bank (June 2026).

** International Monetary Fund (July 2026).

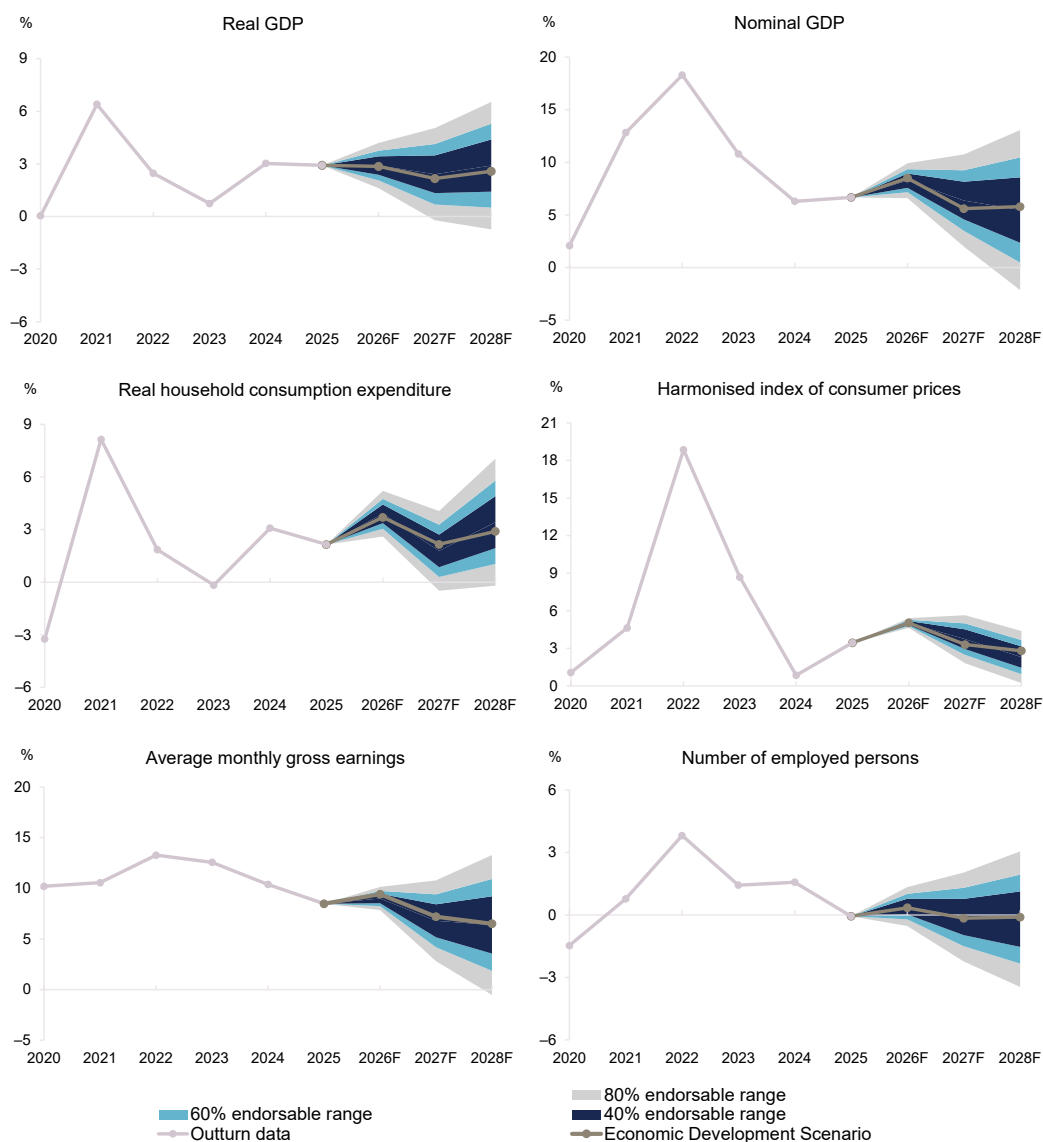
*** Calculations by the Ministry of Finance.

**** Macrobond, Ministry of Finance calculations. The arithmetic mean of futures prices for 17–28 August 2026 was used in the calculations. The figures in parenthesis are the EDS projections from the Economic Development Scenario dated 24 March 2026.

F – forecast.

Source: Ministry of Finance

EDS ENDORSEMENT RANGES ESTIMATED BY THE IFI



Endorsement ranges have been constructed for changes of indicators.

The reference point (mode) of the endorsement ranges are the forecasts prepared by the IFI.

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.valstybeskontrolė.lt/TVS/Content/Biudzeto_stebesena/ERS_vertinimo_ir_tvirtinimo_aprasas.pdf.

F – forecast.

Source: Ministry of Finance, Independent Fiscal Institution

PROJECTIONS OF REAL GDP BY OTHER INSTITUTIONS

Institution	Publication date	2026F	2027F
AB SEB	25/08/2026 (06/05/2026)	3.0 (3.2) ▼	2.1 (2.1)
AB Swedbank	25/08/2026 (06/05/2026)	3.0 (3.0)	2.3 (2.3)
Bank of Lithuania	17/06/2026 (02/04/2026)	2.7 (3.1) ▼	2.0 (2.0)
Organisation for Economic Co-operation and Development	03/06/2026 (02/12/2025)	2.8 (3.1) ▼	2.0 (2.0)
European Commission	21/05/2026 (17/11/2025)	3.0 (3.0)	2.1 (2.2) ▼
International Monetary Fund	09/08/2026 (14/04/2026)	2.8 (2.9) ▼	2.2 (2.2)
Average of institutions	–	2.9 (3.1) ▼	2.1 (2.1)

Institutional forecasts published up to and including 1 September 2026.

The institutions' previous forecasts by are in parenthesis.

F – forecast.

Source: projections by the institutions listed in the table, calculations by the Independent Fiscal Institution