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ECONOMIC AND POLITICAL OVERVIEW

ECONOMIC OVERVIEW

As a member of the EU since 2004, Lithuania has experienced significant growth coupled with the rapid modernization of its economy, becoming a member of the OECD in 2018. The country experienced the fastest recovery in Europe from the 2009 financial crisis, partly fueled by a well-performing banking system and a diversified industrial sector; and it was one of the best-performing countries during the COVID-19 pandemic. After growing 1.9% in 2022, real GDP is estimated to have contracted by 0.3% in 2023 according to the EU Commission. Despite notable capital investments and a rapid slowdown in inflation, economic recovery faced delays due to subdued private consumption, weak exports, and tightening financing conditions. Specifically, exports of goods, especially in the chemical, plastic, wood, and furniture sectors, continued to suffer from sluggish global demand, although exports in services showed signs of improvement. Economic growth is projected to rebound to 2.1% in 2024 and further accelerate to 3% in 2025 (EU Commission), driven by the absorption of EU funds. Recently, the European Commission and the Council endorsed Lithuania's revised Recovery and Resilience Facility (RRF) plan, featuring a new EUR 1.55 billion loan component and extra funds for renewable energy investments. The revised plan now totals EUR 3.85 billion, equivalent to 5.2% of GDP, nearly double the size of the initial RRF plan.

Macroeconomic indicators are generally positive, having recorded budget surpluses before the pandemic. Nevertheless, the budget turned negative since then: in 2023, it was in deficit by 1.7% of GDP (IMF) and Fitch predicts a renewed widening of the general government deficit to 2.5% of GDP in 2024 stemming from the fiscal impact of permanent measures aimed at safeguarding real incomes. The 2024 draft budget anticipates increased public sector wages, social benefits, and a raised threshold for non-taxable income. The general government debt declined to 36.1% of GDP by the end of 2023 (from 38.1% one year earlier, IMF). However, a renewed fiscal deterioration is projected to cause debt levels to increase to 38.5% of GDP by the end of 2024 and further to 41.3% by the end of 2025 according to Fitch Ratings (the IMF has a more positive outlook, with the debt contracting to 33% by 2025). Following a peak of 18.9% in 2022, HICP inflation eased to 9.3% in 2023. This moderation was driven by negative growth in energy prices during the second half of 2023, alongside a continued deceleration in the prices of food and manufacturing products. Inflation is projected to remain slightly above the 2% target, at 3.9% this year and 3% in 2025 (IMF).

The labor market demonstrated resilience during 2023, witnessing a downward trend in unemployment and rising employment figures, attributed to a growing number of self-employed individuals and individuals fleeing conflict in Ukraine. Wage growth remained robust, propelled by increases in minimum wages, public sector wages, and the persistently tight labor market conditions. Wage growth is expected to remain significant in 2024 due to the tight labor market and expected minimum wage increases. (EU Commission). The World Bank estimated the country's GDP per capita (PPP) at USD 48,397 in 2022 (10.7% lower than the EU average); however, according to the latest figures released by Statistics Lithuania, around 24.5% of the population is at risk of poverty.

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP <i>(billions USD)</i>	70.39	79.43	86.00	91.88	97.25

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
<b>GDP</b> <i>(Constant Prices, Annual % Change)</i>	1.9	-0.2	2.7	2.6	2.5
<b>GDP per Capita</b> <i>(USD)</i>	24,989	28,482	31,119	33,548	35,827
<b>General Government Balance</b> <i>(in % of GDP)</i>	-1.3	-1.7	-1.3	-1.1	-1.1
<b>General Government Gross Debt</b> <i>(in % of GDP)</i>	38.1	36.1	34.4	33.0	31.8
<b>Inflation Rate</b> <i>(%)</i>	n/a	9.3	3.9	3.0	2.8
<b>Unemployment Rate</b> <i>(% of the Labour Force)</i>	5.9	6.5	6.3	6.1	6.0
<b>Current Account</b> <i>(billions USD)</i>	-3.58	0.03	0.81	1.11	1.57
<b>Current Account</b> <i>(in % of GDP)</i>	-5.1	0.0	0.9	1.2	1.6

Source: IMF – World Economic Outlook Database , October 2021

## Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

## MAIN SECTORS OF INDUSTRY

Agriculture contributes 4% to the GDP and employs 5% of the workforce (World Bank, latest data available). Lithuania's main agricultural products are wheat, wood, barley, potatoes, sugar beets, wine, and meat (beef, mutton, and pork). Arable land and permanent crops cover 2 million hectares, more than one-third of the country's territory. According to the latest figures from the national statistical office, in 2022, agricultural production reached EUR 4.6 billion, marking a 4.8% increase from 2021. Crop production surged by 6.4%, driven by a notable increase in leguminous plants (39.1%) and cereals (5.3%). Animal production also rose by 1.7% compared to the previous year.

The industrial sector accounts for 25.7% of GDP, employing around 26% of the active population. The subsectors are electronics, chemical products, machine tools, metal processing, construction material, household appliances, food processing, light industry (including textile), clothing, and furniture. The country is also developing oil refineries and shipyards. The World Bank estimates that the manufacturing sector alone contributes to 16% of the country's GDP. In 2022, industrial production sales amounted to EUR 38.4 billion at current prices. Compared to 2021, industrial production at constant prices rose by 9.5%, with mining and quarrying, as well as manufacturing, increasing by 7.9%. Sales to non-Lithuanian markets constituted 62.5% of the total production sold (data Official Statistics Portal).

Lastly, the services sector contributes 61.2% to the GDP and employs more than two-thirds of the active population (69%). The information technology and communications sectors are the most important contributors to the GDP. In recent years, tourism has been one of the fastest-growing sectors of the country's economy. The Lithuanian banking sector consists of 18 banks, twelve of which hold a banking or specialized banking license, and six banks operate as branches of foreign banks (European Banking Federation). Data from the national statistical office show that, in 2022, turnover (excluding VAT) for transportation and storage enterprises amounted to EUR 18.4 billion at current prices, marking a 23.3% increase from 2021. The most significant growth occurred in air transport (93.7%) and land transport and transport via pipelines (24.5%). Accommodation enterprises saw a substantial surge in turnover, reaching EUR 322.9 million in 2022, representing a 68% increase compared to the previous year. Service enterprises experienced a turnover of EUR 18.9 billion in 2022, reflecting an 18.3% increase compared to 2021.

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
<b>Employment By Sector</b> <i>(in % of Total Employment)</i>	5.3	26.3	68.4
<b>Value Added</b> <i>(in % of GDP)</i>	4.0	27.2	59.6
<b>Value Added</b> <i>(Annual % Change)</i>	0.1	4.8	0.6

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
<b>Euro (EUR) - Average Annual Exchange Rate For 1 USD</b>	0.94	0.89	0.85	0.89	0.88

Source: World Bank - Latest available data.

## FOREIGN TRADE

Lithuania is a very open economy, with foreign trade representing 176% of GDP (World Bank, latest data available). According to Statistics Lithuania, in 2022, the majority of exports comprised mineral products (16.9%), chemical and allied industries (12.3%), and machinery and mechanical appliances, electrical equipment (11.5%). On the other hand, imports were predominantly mineral products (28.5%), machinery and mechanical appliances, electrical equipment (14.8%), and products of the chemical and allied industries (11.3%).

In 2022, imports came chiefly from Poland (11.7%), Germany (11.6%), and Latvia (7.9%), while the main export partners were Germany (9.7%), Poland (9%), Latvia (8.7%), the United States (7.8%), and the Netherlands (7.5%). The majority of goods were exported to EU member states, accounting for 62.2% of total exports from Lithuania. Similarly, the largest proportion of imports also originated from EU member states, constituting 63.3% of total imports to Lithuania (data Statistics Lithuania).

The country's merchandise trade balance has historically been in deficit, which can largely be explained by the energy imports and, particularly, by the large amount of gas Lithuania imports from Russia. In 2021, Lithuania exported goods worth USD 46.3 billion, with imports amounting to USD 54.9 billion. Compared to the previous year before, exports increased by 13.8% and imports by 22.2% (data WTO). However, the balance of services is generally positive: in 2022, exports stood at EUR 18.3 billion (+14.1%) as imports grew at a faster pace, to EUR 12 billion (+24.5% y-o-y - WTO). The country's overall trade balance in goods and services was estimated to be negative by 2% of GDP in 2022 (World Bank). Between January and October this year, the value of Lithuania's exports decreased by 9.6% to EUR 33.16 billion, whereas imports dropped by 13.8% to EUR 37.49 billion, as reported by Statistics Lithuania.

Foreign Trade Values	2018	2019	2020	2021	2022
<b>Imports of Goods</b> <i>(million USD)</i>	36,502	35,759	33,329	44,488	54,938
<b>Exports of Goods</b> <i>(million USD)</i>	33,337	33,151	32,805	40,706	46,340
<b>Imports of Services</b> <i>(million USD)</i>	7,092	7,740	6,723	9,624	11,982
<b>Exports of Services</b> <i>(million USD)</i>	11,430	13,282	12,474	16,051	18,319

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2018	2019	2020	2021	2022
<b>Foreign Trade</b> <i>(in % of GDP)</i>	148.6	149.3	137.0	156.5	177.1
<b>Trade Balance</b> <i>(million USD)</i>	-3,367	-2,634	-451	-3,414	-7,688
<b>Trade Balance (Including Service)</b> <i>(million USD)</i>	959	2,904	5,307	3,020	-1,384

Foreign Trade Indicators	2018	2019	2020	2021	2022
<b>Imports of Goods and Services</b> <i>(Annual % Change)</i>	6.0	6.0	-4.5	19.9	12.3
<b>Exports of Goods and Services</b> <i>(Annual % Change)</i>	6.8	10.1	0.4	17.0	11.9
<b>Imports of Goods and Services</b> <i>(in % of GDP)</i>	73.4	72.0	63.9	76.0	89.5
<b>Exports of Goods and Services</b> <i>(in % of GDP)</i>	75.2	77.3	73.2	80.5	87.6

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
<b>Volume of exports of goods and services (Annual % change)</b>	-1.7	5.1	4.8	4.9	4.9
<b>Volume of imports of goods and services (Annual % change)</b>	-1.8	5.3	5.0	5.1	5.1

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

## International Economic Cooperation

Lithuania is member of the [European Union](#) since 2004 and has close ties with nearby Baltic and Eastern European countries. It is well integrated in the international trade system and is party to a number of agreements.

## Main Partner Countries

Main Customers <i>(% of Exports)</i>	2022
<b>Latvia</b>	12.8%
<b>Poland</b>	9.1%
<b>Germany</b>	7.9%
<b>Estonia</b>	5.7%
<b>Netherlands</b>	5.4%
<b>See More Countries</b>	59.0%

Main Suppliers <i>(% of Imports)</i>	2022
<b>Poland</b>	11.7%
<b>Germany</b>	11.6%
<b>Latvia</b>	7.9%
<b>United States</b>	7.5%
<b>Sweden</b>	5.2%
<b>See More Countries</b>	56.1%

## POLITICAL OUTLINE

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### Current Political Leaders

President: Gitanas NAUSEDA (since 12 July 2019)

Prime Minister: Ingrida SIMONYTE (since 24 November 2020)

### Next Election Dates

Presidential: 12 May 2024

Parliamentary: October 2024

### Main Political Parties

Lithuania has a multi-party system in which a single party usually does not have a chance of gaining power alone. Parties often work together to form coalition governments. The major parties in the parliament include:

- Homeland Union - Lithuanian Christian Democrats (TS-LKD): centre-right, nationalist
- Farmers and Green Union (LPGU): centrist agrarian
- Lithuanian Social Democratic Party (LSDP): centre-left, progressive, oldest party
- Union of Democrats "For Lithuania" (DSVL): centre-left on economic policy and centre-right on socio-cultural issues
- Liberal Movement of the Republic of Lithuania (LRLS): centre-right
- Freedom Party (TT): centre, liberalism
- Labour Party (DP): centre, promotes social liberalism
- Lithuanian Green Party (LŽP): green politics
- Lithuanian Regions Party (LRP): left-wing
- Lithuanian Centre Party (LCP): centre, nationalist
- Electoral Action of Poles in Lithuania: conservatism, polish minority interest
- Lithuanian List (LL): centre.

### Executive Power

The **President** is the chief of state and is elected by popular vote for a five-year term renewable once. He/she is also the commander in chief overseeing foreign and security policy. The **Prime Minister** is the head of the government and is appointed by the President on approval of the Parliament (generally the leader of the majority party or coalition) to serve a term of four years. The Prime Minister enjoys executive powers which include implementation of the law in the country and running the day-to-day affairs. The **Council of Ministers** (cabinet) is appointed by the President on the nomination of the Prime Minister.

### Legislative Power

The legislature is unicameral in Lithuania. The Parliament (called **Seimas**) has a single chamber and consists of 141 seats. Members of the Parliament are elected using a mixed system combining proportional and single constituencies; this means that 71 members are directly elected by popular vote and 70 are elected by proportional representation; all members serve four-year terms. A party must receive at least 5% of the national vote to be represented in the Seimas. The Prime Minister cannot dissolve the Parliament (but the President can do so on the recommendation of the Parliament) nor can veto its enactment.

## COVID-19 COUNTRY RESPONSE

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### Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

### Import & export restrictions

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

### Economic recovery plan

The summary of the EU's economic response to the COVID-19 pandemic is available on the website of the [European Council](#).

For the general overview of the key economic policy responses to the COVID-19 outbreak (fiscal, monetary and macroeconomic) in Lithuania, please consult the country's dedicated section in the [IMF's Policy Tracker platform](#).

### Support plan for businesses

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).