

March 2025



# The Republic of Lithuania

## Investor Presentation

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## Key Facts

Nominal GDP <sup>(1)</sup> :	EUR 77,823 mn
Annual real GDP growth <sup>(1)</sup> :	2.7%
Credit ratings:	<b>Moody's:</b> A2 (outlook stable) <b>S&amp;P:</b> A (outlook stable) <b>Fitch:</b> A (outlook stable)
Currency:	Euro (EUR) since 1 January 2015
Government:	Centre-left coalition, elected in 2024 and has a majority in the Parliament (86 seats out of 141)



## Lithuania's Path From Independence to a Member of Eurozone: Key Milestones



Notes: (1) Statistics Lithuania, unadjusted nominal GDP as of 31 December 2024 and its real growth for 2024 (31.01.2025)  
 Sources: Statistics Lithuania, Ministry of Finance, Moody's Investors Service, Standard & Poor's Financial Services, Fitch Ratings (03.01.2025)



# Key Credit Strengths



## DYNAMIC ECONOMY

- Lithuania's openness and flexibility have facilitated its **income convergence with its Western European peers**, as it was among the first Euro Area countries to recover to pre-pandemic GDP levels. In 2024, GDP growth rate reached 2.7%. In 2025, the growth rate is set to accelerate to 2.8% and in 2026-2027 up to 2.9% on average per year.
- The successful implementation of the Recovery and Resilience Plan (RRP) is expected to **fund an investment pipeline that will deepen the structural reform agenda**



## POLICY EFFECTIVENESS

- Lithuania's economy has increased its **degree of sophistication, export diversity and international interconnectedness** leveraging on high productivity levels across sectors driven by **technological progress and widening human capital**
- The **high structural flexibility of the Lithuanian labour market facilitates shock absorption** and migration inflows from Ukraine alleviate the decline in the working-age population and improve the demographic outlook



## INSTITUTIONAL STRENGTH

- A strong institutional framework, **cross-party political consensus and robust governance**, as reflected in strong World Governance Indicators, are expected to remain under the new centre-left coalition led by the Social Democrats, which was formed after the general elections at the end of 2024.
- A **consistent track record of sound fiscal policies and prudent debt management** has helped the country build a fiscal space which has supported the return of inflation to low historic levels after a supply-side inflationary episode in 2022 and 2023



## MACRO-FISCAL BUFFERS

- Lithuania has a strong **track record of outperforming budget execution**, as demonstrated in 2023, with a **deficit of 0.8%** versus a projected 4.9% of GDP and **fiscal flexibility that allowed it to redirect expenditures towards social protection** amidst the ongoing Ukraine crisis
- As a result, the country **benefits from a moderate government debt burden with low interest expenditures, negligible contingent liabilities and limited foreign currency risk**, all supported by a liquid domestic capital market and proven access to international markets



## SOUND BANKING SECTOR

- Banking sector profitability doubled in 2023 vs. 2022**. Meanwhile, already **high capitalization levels have strengthened, liquidity metrics are robust and non-performing loans remain significantly below pre-pandemic levels** at 0.6% of GDP as at 30 June 2024
- Lithuania has become **the largest fintech hub in the EU**, as its companies are driving structural changes in the financial system and boosting IT and financial services. Authorities have **taken necessary steps to address potential risks from the maturing fintech sector**



## ENERGY AND NATIONAL SECURITY

- National security is ensured by the presence of NATO troops in the Baltics and supported by high defence budget commitments**. The target for defence spending was raised from 2.0% to 2.5% of GDP in 2024, and was increased to 3% of GDP in 2025
- Energy **imports from Russia have been completely suspended since May 2022** and **alternative sources have been secured** to guarantee energy security. Important steps have been taken to ensure domestic electricity generation and trade agreements for fossil fuels

Sources: Ministry of Finance, Moody's Investors Service, Standard & Poor's Financial Services, Fitch Ratings (16.01.2025)

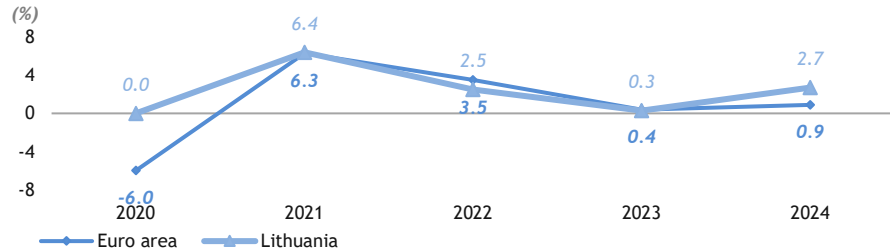


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# Lithuania's Economy Proves Resilient to Exogenous Shocks

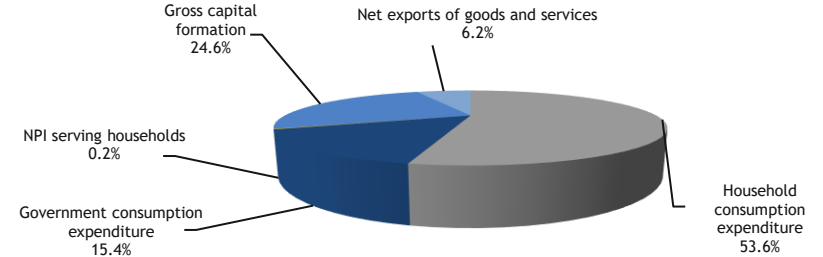
## Real GDP Growth<sup>(1)</sup>



Notes: (1) Seasonally and calendar adjusted data; chain linked volumes, percentage change compared to same period in previous year.  
Sources: Eurostat, Statistics Lithuania (21.03.2025).

## Composition of GDP by Expenditure

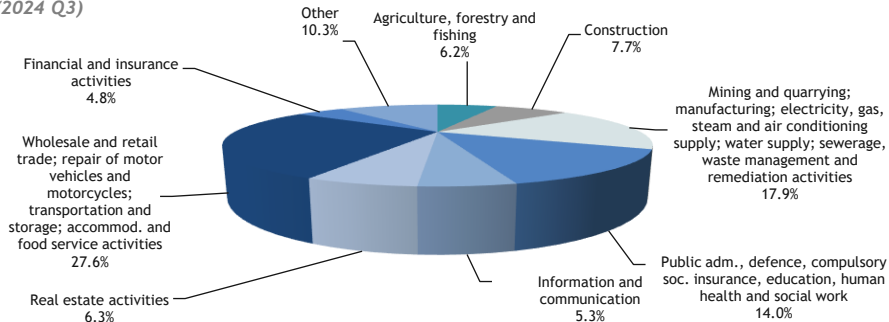
(2024 Q3)



Source: Statistics Lithuania (05.02.2025)

## Composition of Gross Value Added by Sector

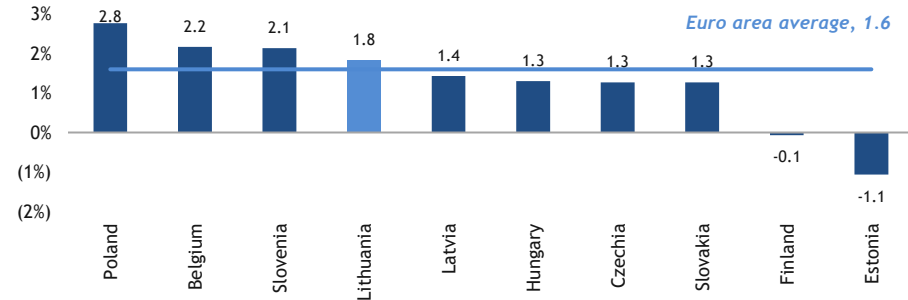
(2024 Q3)



Source: Statistics Lithuania (05.02.2025)

## Real GDP Growth Rate in Line with Peers

(%, 2022-2024 3-year average)

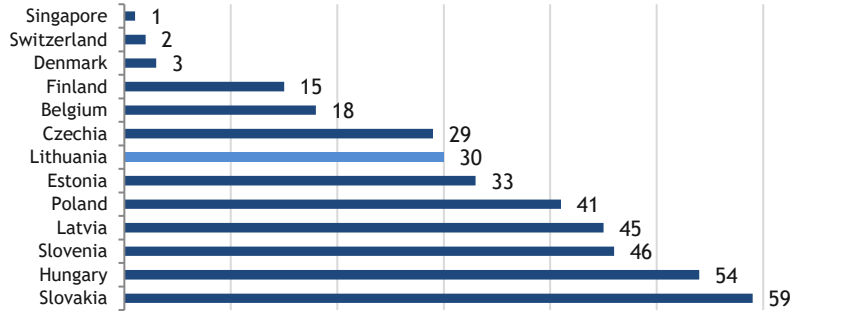


Source: Eurostat (TECO0115, 21.03.2025)



# Strong and Improving Governance Indicators

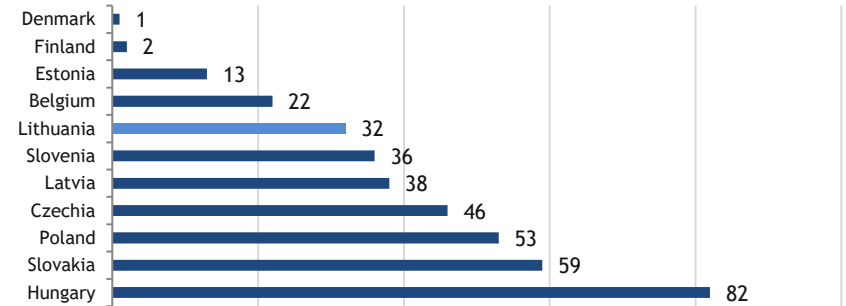
## World Competitiveness Ranking 2024



Note: 64 economies are ranked.

Source: <https://www.imd.org/centers/world-competitiveness-center/rankings/world-competitiveness/> (14.11.2024)

## Corruption Perceptions Index: Ranking 2024

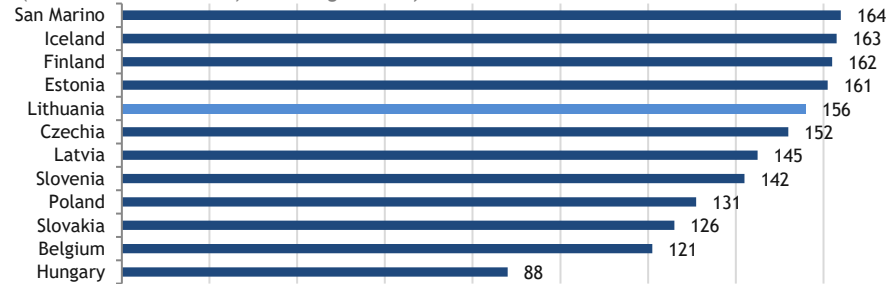


Note: 180 countries are ranked.

Source: <https://www.transparency.org/en/cpi/2024> (11.02.2025)

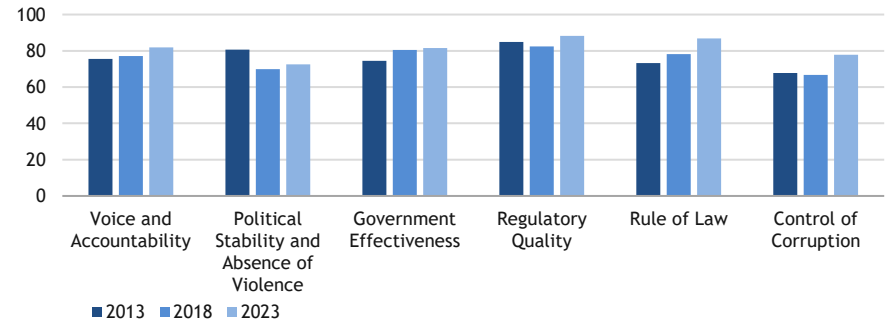
## Basel AML Index: Ranking 2024

(152 has the lowest risk, 1 - the highest risk)



Source: <https://index.baselgovernance.org/ranking> (30.12.2024)

## Lithuania's World Bank Worldwide Governance Percentile Ranks



Source: World Bank, Worldwide Governance Indicators 2023, <https://info.worldbank.org/governance/wgi/> (14.11.2024)

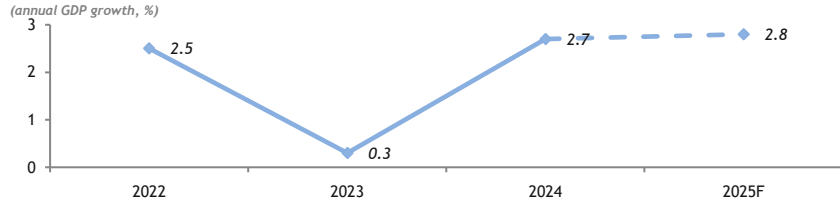




# Effective Government Policies to Weather Ukraine Crisis

## Russia/Ukraine Conflict has only Moderate Effect on Growth

The negative impact of Russia's aggression of Ukraine is mitigated as Lithuania's trade relations with Russia are much less material than they were a decade ago.



Note: Seasonally and calendar unadjusted data; chain linked volumes, percentage change compared to previous year. (F) Forecasted by the Ministry of Finance at Economic Development Scenario for 2025-2028 (March 2025). Source: Ministry of Finance (21.03.2025)

## Defence Spending as a Priority

- 2025 national defence budget set at 3% of GDP
- As a member of NATO and the European Union since 2004, Lithuania has the following security guarantees in place:
  - Article 5:** Lithuania works with allies on effective deterrence and, if necessary, to defend with all the means and capabilities needed
  - EU Mutual Defence Clause:** This binding clause provides that if an EU country is the victim of armed aggression on its territory, the other EU countries have an obligation to aid and assist it
- NATO's military presence has recently expanded, with the former establishing **4 more multinational battlegroups** extending all along NATO's eastern flank.
- Mutual cooperation recently strengthened with Germany's commitment to station a **permanent brigade in Lithuania by 2027** and the signing of an MoU in April 2024 for the building of an ammunition plant in Lithuania.

Source: Ministry of National Defence

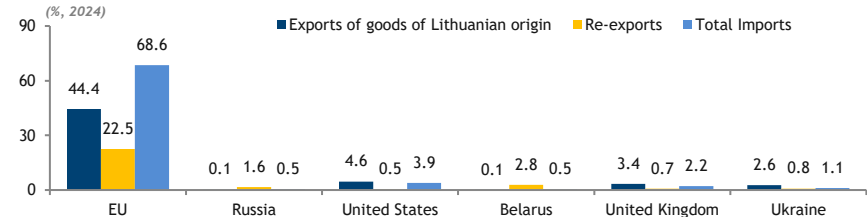
## Energy Sector Security Away from Russia

- Gas imports from Russia de facto were stopped in April 2022** and the Parliament made this decision de jure in June 2022. The annual regasification capacity of the Klaipeda LNG terminal is at 39 TWh, which is ample for Lithuania's needs of 20-24 TWh.
- Gas Interconnection Poland-Lithuania (GIPL)** is a natural gas infrastructure that connects Polish and Lithuanian as well as Baltic and Finnish natural gas transmission systems with the EU system. GIPL started commercial operations as of 1 May 2022.
- On 8 February 2025**, Lithuania along with Latvia and Estonia **disconnect from the Russia-controlled system**. **On 9 February 2025**, they successfully synchronised their electricity systems with the **Continental Europe Synchronous Area**.
- The Government aims at **stronger energy infrastructure and independence to ensure national security** and is focused on **green energy**, with projects like the energy storage system Energy Cell's 200MW or two offshore wind farm projects with a combined capacity of 1.4GW, currently expected to be operational in 2028.

Sources: Ministry of Energy, JSC Amber Grid

## Trade Diversification on Several Fronts

- Lithuania's trade is primarily with its EU partners representing more than 2/3 of all imports and more than 1/3 of exports. Trade with Russia is limited and has been declining since 2021.
- Lithuania is further diversifying trade in the Indo-Pacific market (establishment of the AUSTRADE in Vilnius (02/2023), new trade agreements signed with Taiwan (01/2023)).



Sources: Ministry of Foreign Affairs, Ministry of Economy and Innovation, Statistics Lithuania (11.02.2025)



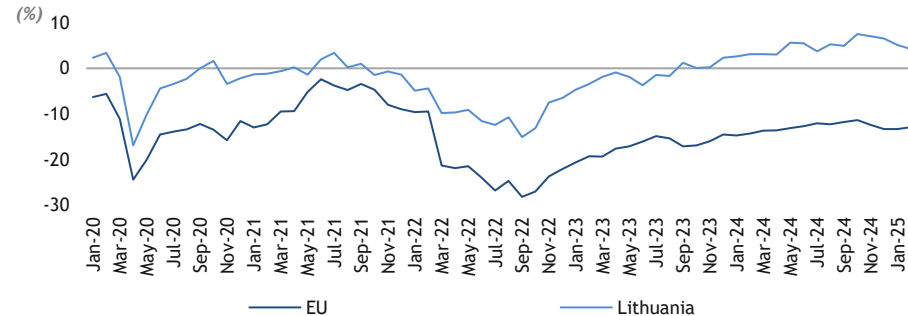
# The Financial Situation of Households Remains Solid

## Key Highlights

- In 2024, household earnings in Lithuania were 10.2% higher than in 2023, with an increase across all economic activities. However, due to inflation the annual growth of earnings was at 8.5% in real terms.
- Household deposits continued to increase at a strong pace: in January 2025, household and non-profit institutions serving households deposits recorded a year-on-year increase of 12.2%.
- Despite high inflation and rise in energy and gas prices and uncertainties related to the protracted Russia-Ukraine war, the consumer confidence have been following an upward trend from historical lows recorded in September 2022.
- The low stock of mortgages (c. 20% of GDP) and the relatively low average loan-to-value ratio has shielded households from the macroprudential policy tightening that began in mid-2022 and contained the impact on their debt service capacity.
- In Q1-Q3 2024, the portfolio of loans by monetary financial institutions to households increased by 9.2%, but household indebtedness remained relatively stable due to increased savings and income.

Sources: Statistics Lithuania, Bank of Lithuania (21.03.2025)

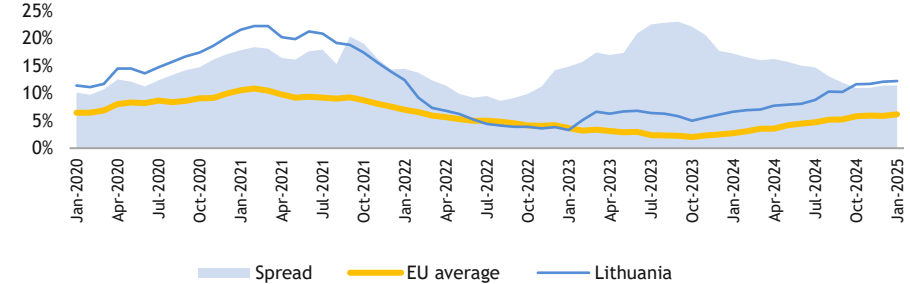
## Consumer Confidence Indicator



Source: European Commission (21.03.2025)

## Household Deposits

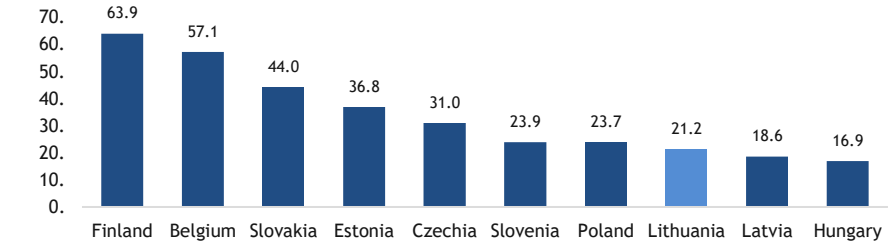
(% change, YoY)



Source: ECB Data Portal (21.03.2025)

## Household Debt

(% of GDP, 2023)



Note: Household debt, consolidated including Non-profit institutions serving households

Sources: Eurostat (21.03.2025)



# A Flexible Labour Market and Migration Flows Improve Demographics

## Flexible Labour Market at the Heart of Economic Resiliency

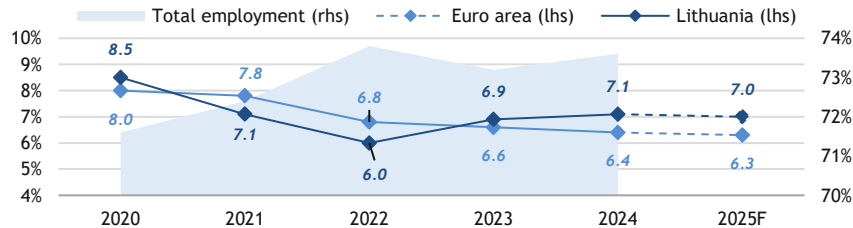
- Labour market has remained strong throughout the Covid and Ukraine crises, spurring a solid wage growth that has supported domestic demand.
- The structural flexibility of the labour market allows the country to weather shocks. It originates in the 2017 labour code reform that introduced new labour contracts and reduced severance payments, while increasing the benefits and duration of the unemployment insurance. Additionally, wages are largely determined at a firm level.
- Currently, **unemployment remains relatively low and stood at 7.1% at the end of 2024**. Meanwhile, employment trends reflect continuing labour demand, positive migration inflows and authorities' ability to integrate foreigners in the labour market.
- Since Russia's invasion of Ukraine and until December 2024, about 90,000 refugees have arrived (representing about 3% of Lithuania's population) and more than one-third have already entered the labour force, limiting labour-market bottlenecks.

Source: Statistics Lithuania (21.03.2025)

## Annual Average Unemployment<sup>(1)</sup> and Employment<sup>(2)</sup> Rates

(unemployment, % of population in the labour force)

(% of total population)

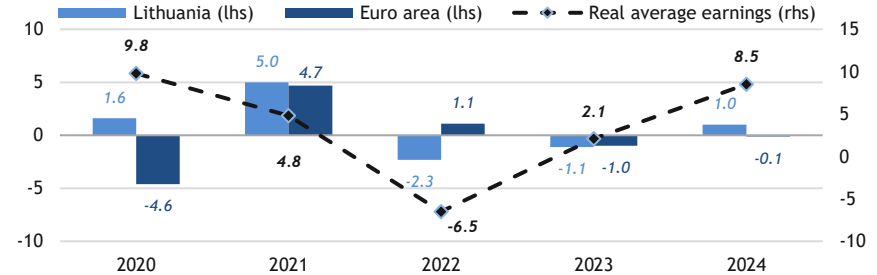


Notes: (1) Unemployed aged 15-74; (2) Persons employed aged 15-64

Source: Statistics Lithuania, Eurostat, European Commission's Autumn 2024 Economic Forecast, Economic Development Scenario of the Ministry of Finance (March 2025) (21.03.2025)

## Growth of Real Productivity and Real Average Earnings

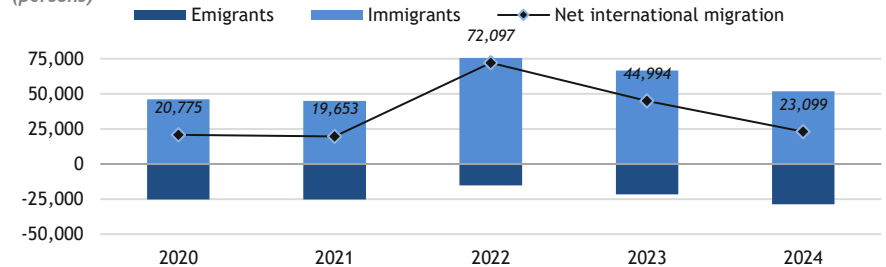
(% change on previous year)



Sources: Eurostat (NAMA\_10\_LP\_ULC, NAMAQ\_10\_LP\_ULC), Statistics Lithuania (21.03.2025)

## Migration Trends

(persons)



Note: War refugees from Ukraine are included in statistics.

Source: Statistics Lithuania (21.03.2025)



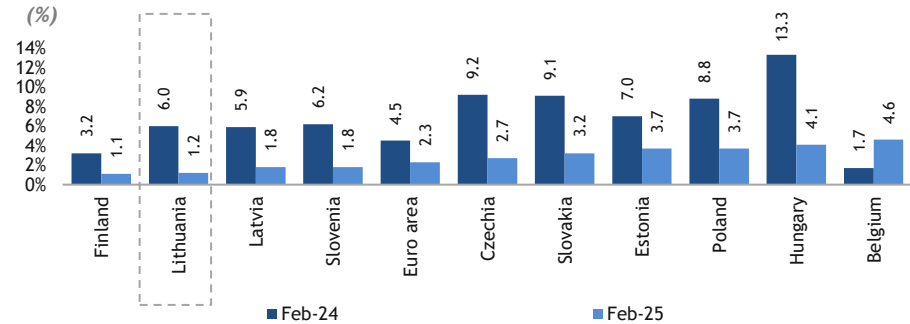
# Inflation Gradually Returns to Historic Low Levels

## Key Highlights

- The inflation shock related to the war in Ukraine has had a particularly harsh impact on Lithuania and other Baltic economies mainly due to higher exposure to energy prices.
- At the same time, inflation was already comparably high in Lithuania prior to the crisis as very high growth and rising wages put pressure on consumer prices, also historically energy products had a bigger weight in the harmonised index of consumer prices (HICP) basket compared to other EU members.
- This has cushioned the social impact of the increase in inflation in 2022 and lowered the risk of social pressures. In addition, the rapid increase in per capita income and overall spending power has also muted the social impact of the rising inflation.
- Annual inflation rate peaked in September 2022 and eased to 0.1% in October 2024 as the more temporary contributors such as energy prices and supply chain bottlenecks dissipate. Currently, annual average inflation stands at 1.2%. Average annual inflation is expected to be at 3.3% in 2025.

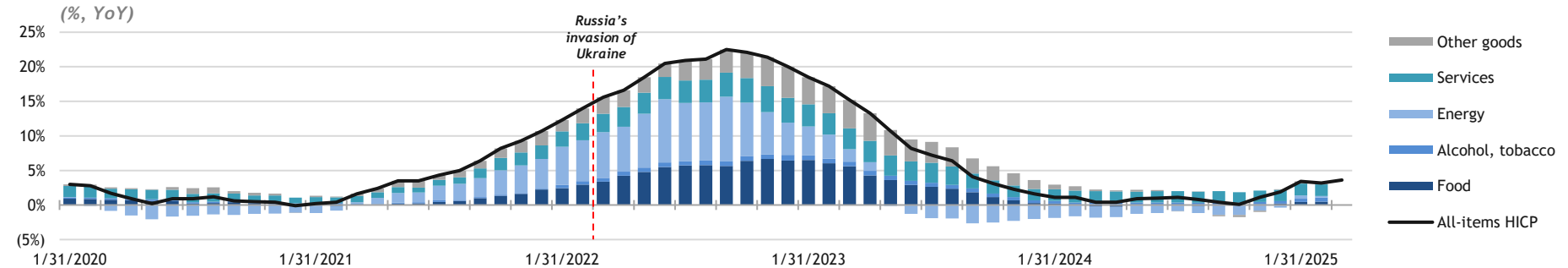
Sources: Eurostat ([PRC\_HICP\_MANR], Ministry of Finance's Economic Development Scenario for 2025-2028 (March 2025), Statistics Lithuania (25.03.2025).

## Annual Average Inflation: Peer Comparison



Source: Eurostat (PRC\_HICP\_MV12R, 25.03.2025)

## Annual Inflation Rate (HICP) and its Composition are Constantly Decreasing



Source: Eurostat ([PRC\_HICP\_MANR], Statistics Lithuania 27.03.2025)



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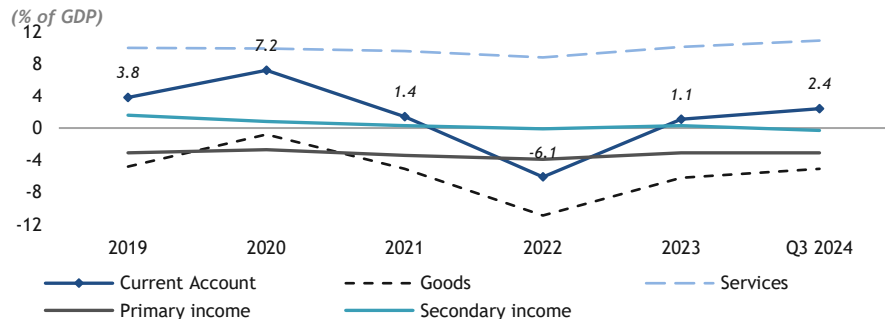
# Current Account Surpluses and a High Stock of FDI

## Key Highlights

- Over recent years, Lithuania has built ample external buffers on the back of strong export performance. Simultaneously, financial and trade linkages with Russia have steadily decreased since Lithuania's integration into the EU.
- Due to the temporary effect of unusually high energy prices associated with the start of the Ukraine conflict, the current account was in deficit by 6.1% of GDP in 2022.
- Since 2023, dynamics of the current account balance changed its direction and its surplus reached 1.1% of GDP. In Q3 2024, the current account surplus jumped to 2.4% of GDP. It was mainly determined by a rise in the surplus balance of services and declines in primary income deficit and goods deficit.
- As of 30 September 2024, the cumulative foreign direct investment (FDI) rose by 8.6% over the year and amounted to EUR 37.6 billion, or 48.9% of GDP. The largest investors in Lithuania included Germany (EUR 5.9 bn), the Netherlands (EUR 5.2 bn), and Estonia (EUR 3.8 bn). The largest share of FDI (EUR 13.6 bn) was attracted by companies engaged in financial and insurance activities, recording a 7.4% increase in investment.

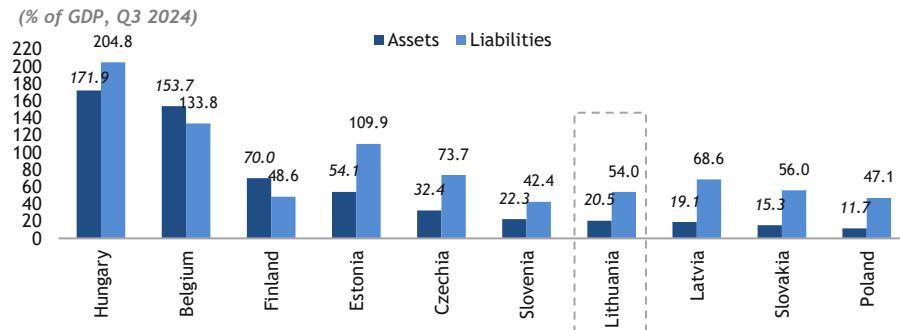
Sources: Bank of Lithuania, Eurostat, Statistics Lithuania (06.02.2025)

## Dynamics of Current Account Balance



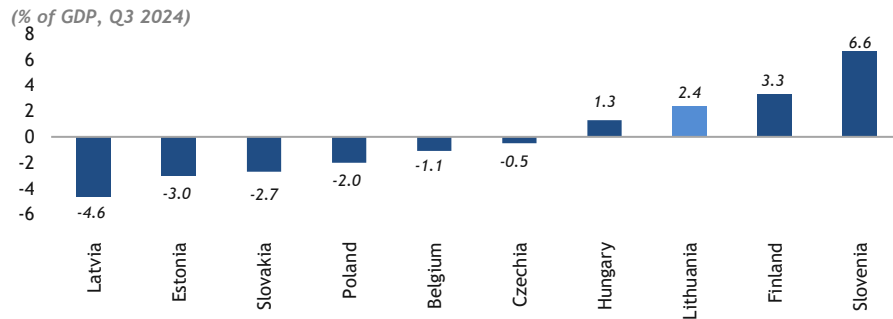
Source: Eurostat (BOP\_GDP6\_Q, 06.02.2025)

## FDI Assets/Liabilities Peer Comparison



Source: Eurostat (BOP\_GDP6\_Q, 06.02.2025)

## Current Account Balance Peer Comparison



Source: Eurostat (BOP\_GDP6\_Q, 06.02.2025)



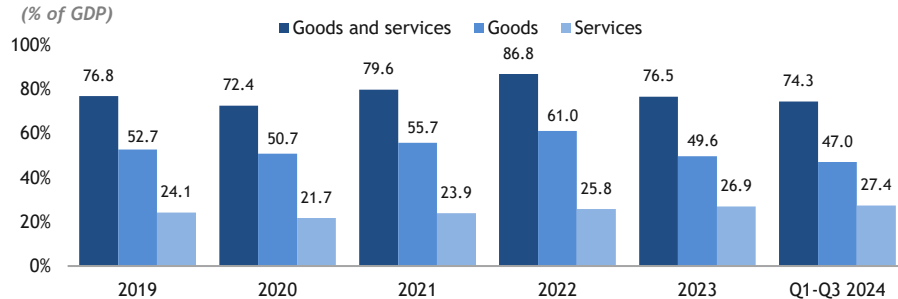
# Successfully Replacing Trade Links with Russia

## Data for 2023-2024

- As a result of the Ukraine war, Lithuania severed most economic ties with Russia and diversified trade partners, notably within the Indo-Pacific market and towards the rest of the EU.
- During 2023, exports of goods and services decreased by 3.6% comparing to previous year to a total amount of EUR 56.4 bn, comprising EUR 36.6 bn of goods and EUR 19.8 bn of services.
- In 2024, Lithuania's main export partners remained EU members, in some cases from the Euro Area - namely Poland, Germany, Latvia and Netherlands - helping avoid macroeconomic and monetary policy imbalances within the region.
- The most prominent industries in the export sector were mineral products, products of the chemical and allied industries, machinery and mechanical appliances, and electrical equipment.
- Transport, communications and travel (46.8%, 10.5% and 8.2% respectively) accounted for the largest shares of exports of services.

Sources: Eurostat (NAMA\_10\_GDP), Bank of Lithuania, Statistics Lithuania (10.01.2025)

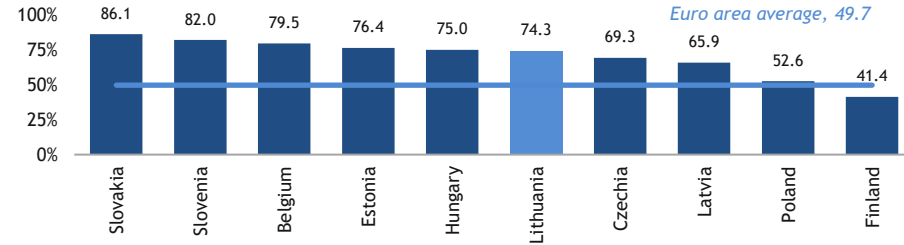
## Exports



Source: Eurostat (NAMA\_10\_GDP, NAMQ\_10\_GDP, 03.01.2025)

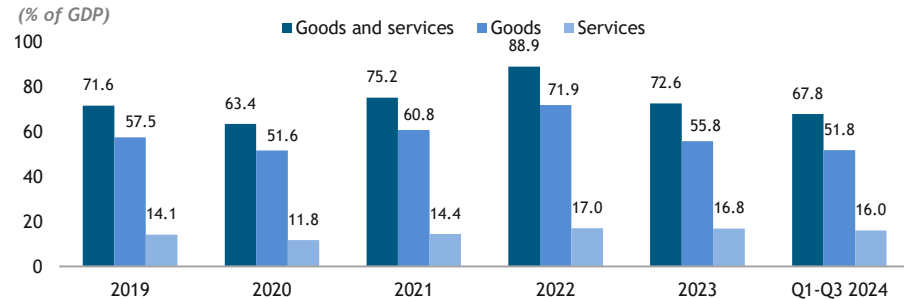
## Lithuania is among EU's most open economies

(Exports of goods and services, % of GDP, Q1-Q3 2024)



Source: Eurostat (NAMQ\_10\_GDP, 03.01.2025)

## Imports



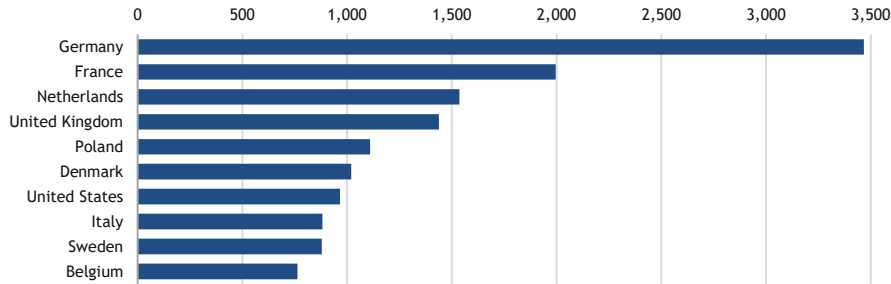
Source: Eurostat (NAMA\_10\_GDP, NAMQ\_10\_GDP, 03.01.2025)



# A High Value-Added and Diversified Export Sector

## Key Partners in Exports of Services

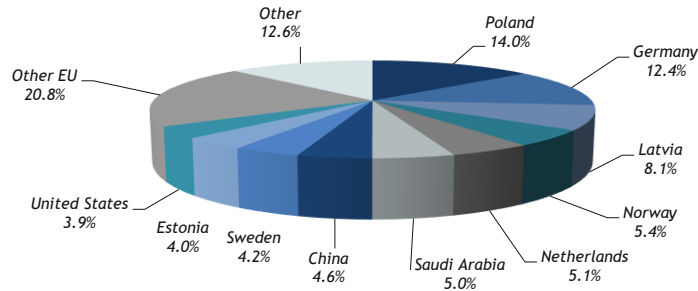
(EUR mn, 2024)



Source: Bank of Lithuania, <https://www.lb.lt/en/export-and-import-of-services-by-country> (27.03.2025)

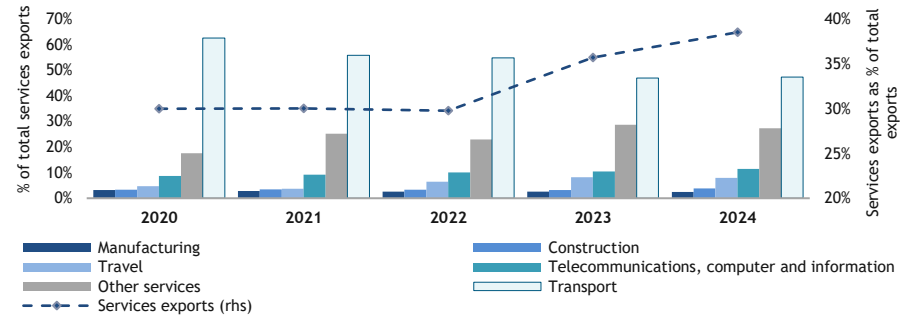
## Composition of Imports by Country

(Imports of goods %, 2024)



Source: Statistics Lithuania (11.02.2025)

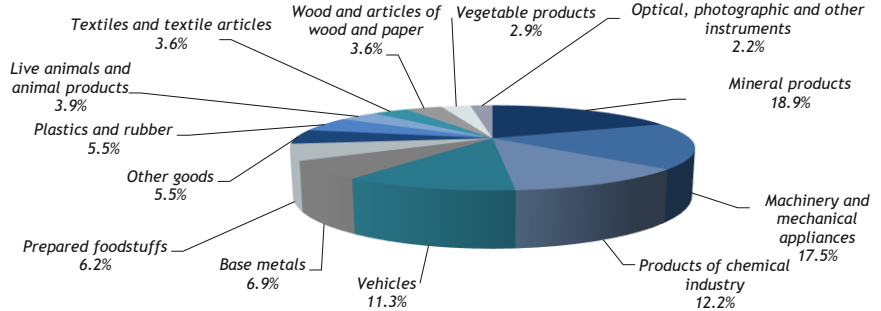
## Development of Key Sectors in Exports of Services



Source: Bank of Lithuania, <https://www.lb.lt/en/balance-of-payments-quarterly> (27.03.2025).

## Composition of Imports by Sector

(Imports of goods %, 2024)



Source: Statistics Lithuania (11.02.2025)

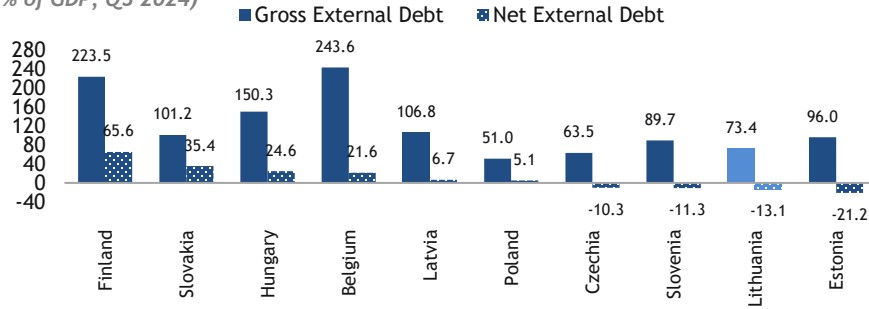




# Low and Affordable Levels of Public and Private External Debt

## Gross and Net External Debt

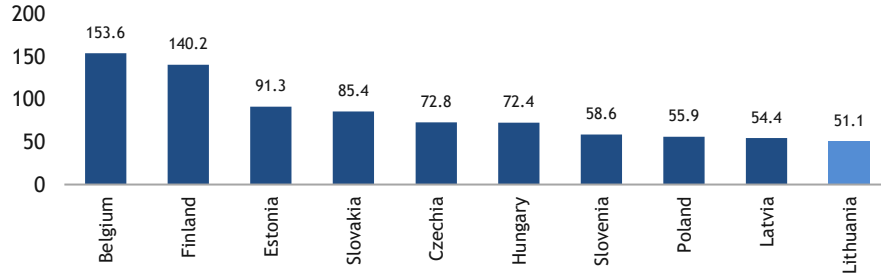
(% of GDP, Q3 2024)



Source: ECB Data Portal and Eurostat (06.02.2025)

## Private Sector Debt

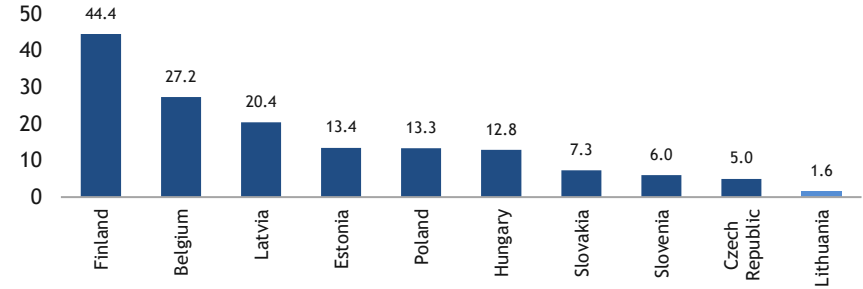
(% of GDP, 2023)



Source: Eurostat (TIPSPD20, 27.03.2025)

## Debt Service to Export Ratio

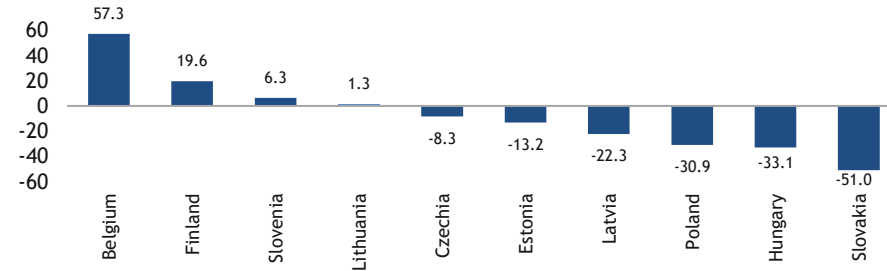
(%, 2023)



Source: Fitch Data Comparator, September 2024

## Net International Investment Position

(% of GDP, Q3 2024)



Source: Eurostat (TIPSI140, 06.02.2025)



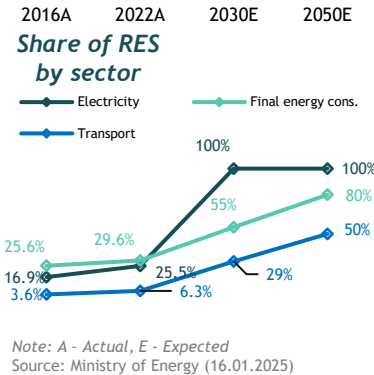
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# Ambitious Commitments towards Renewables and Energy Security

## Development of Renewable Energy Sources (RES)

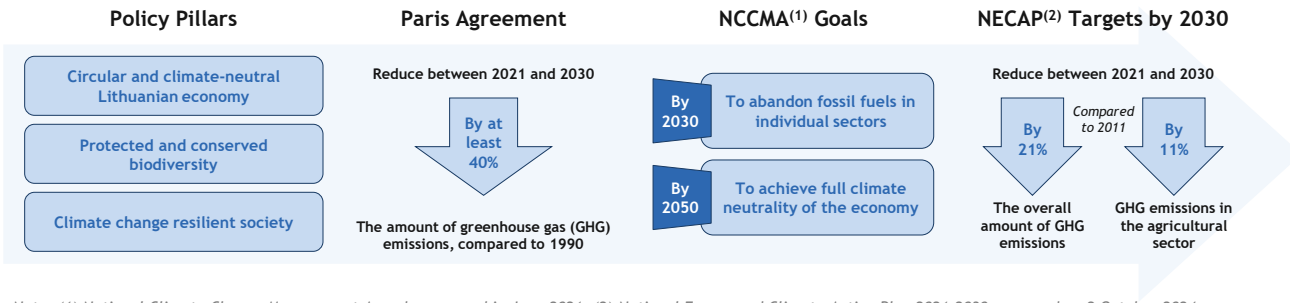
- The National Energy Independence Strategy is the master program setting the long-term renewable energy development targets
- Lithuania has already met its 2020 target of 23% of RES in final energy consumption and is on track to meet the 55% target by 2030
- Two offshore wind farms with a combined capacity of 1.4 GW are planned to be built in the Baltic Sea by 2030 and 2033
- Lithuania intends to increase decentralization and promote the role of 'prosumers' in energy production
- New potential uses for biomethane and renewable hydrogen in industry and public transport have been identified
- Electric vehicles will become an important provider of network balancing services through flexible charging and vehicle-to-grid solutions



## Ensuring Energy Security

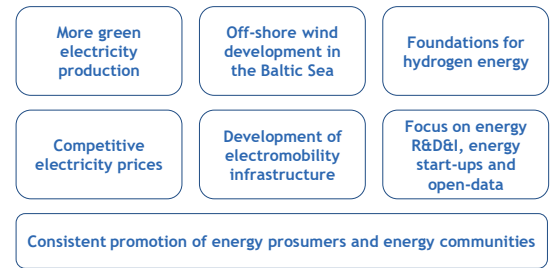
- The Government is strengthening energy infrastructure to ensure national energy security and independence while maintaining its long-term focus on green energy development
- The following initiatives are underway to achieve these objectives:
  - Larger-share of local electricity generation (mainly renewable energy sources (RES) solar and wind power)
  - Increase in renewable fuels production and consumption (biomethane, advanced biofuels, e-mobility)
  - Modern balancing capacity in the electricity transmission system
  - Preserving and developing emergency and power reserves

## Policy Pillars defining National Objectives



Note: (1) National Climate Change Management Agenda approved in June 2021; (2) National Energy and Climate Action Plan 2021-2030 approved on 2 October 2024  
Source: Ministry of Energy (16.01.2025)

## STRUCTURAL OBJECTIVES FOR 'RES' DEVELOPMENT





# A Stronger National Electricity Supply to Connect with the EU Grid

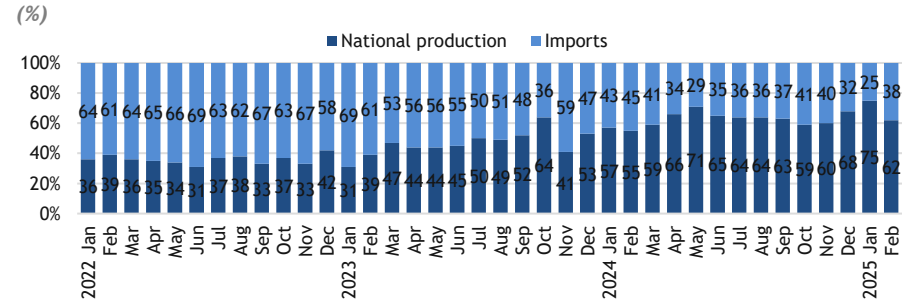
## Electricity Synchronisation

- Estonia, Latvia, and Lithuania have successfully synchronised their electricity systems with the Continental Europe Synchronous Area on 9 February 2025. All electricity interconnections with Russia and Belarus have been permanently disconnected.
- This is a key milestone for the Baltic States and for Europe strengthening the energy resilience and independence across the region.
- Since October 2023, the Lithuanian electricity system was strengthened by 200 MW energy storage system, which provides a primary reserve service, voltage control and synthetic inertia services.



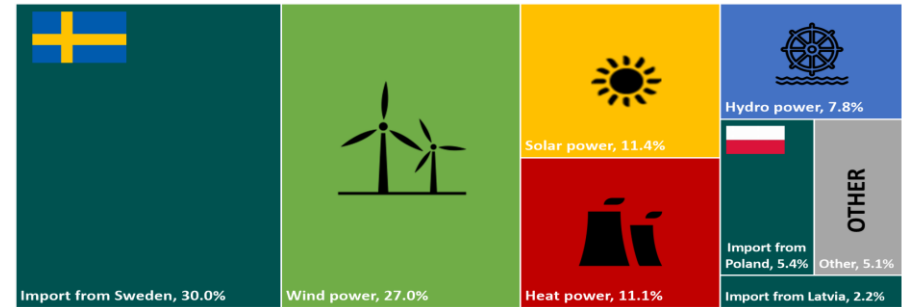
Source: Ministry of Energy, Litgrid (16.01.2025)

## National Electricity Production and Imports



Source: Lithuanian Energy Agency (25.03.2025)

## Electricity Supply by Sources, 2024



Source: Lithuanian Energy Agency (16.01.2025)



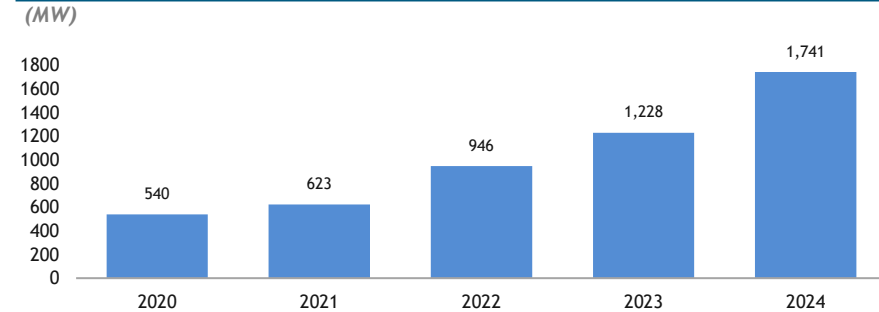
# Wind and Solar Energy Leading Lithuania's Renewables Commitment

## Key Highlights

- Because of the state financial aid provided, the solar power plants installed capacity increased almost twice during 2023. Solar power plants were the fastest growing electricity producers in 2024.
- Considering the renewable energy potential of Lithuania in the Baltic Sea, **two wind farms, with a combined capacity of 1.4 GW, are planned to be built in the Baltic Sea by 2030 and 2033.**
- The two offshore wind farms are expected to provide a **half of Lithuania's actual electricity consumption (in 2024) needs and allow the country to be self-sufficient in electricity from local sources.**
- UAB „Ignitis Renewables“ together with OW OFFSHORE, S.L. won the tender to build the first wind farm. One such park with an installed capacity of about 700 MW is expected to produce about 3 TWh of green electricity per year, which would ensure up to a quarter of Lithuania's annual electricity needs and **further reduce the country's dependence on electricity imports.**
- The tender for the right to develop the second 700 MW offshore wind farm was suspended in January 2025 with the aim to ensure minimal impact on the final electricity prices to consumers after the project is implemented. The tender will be renewed later in 2025 after its requirements are reviewed.

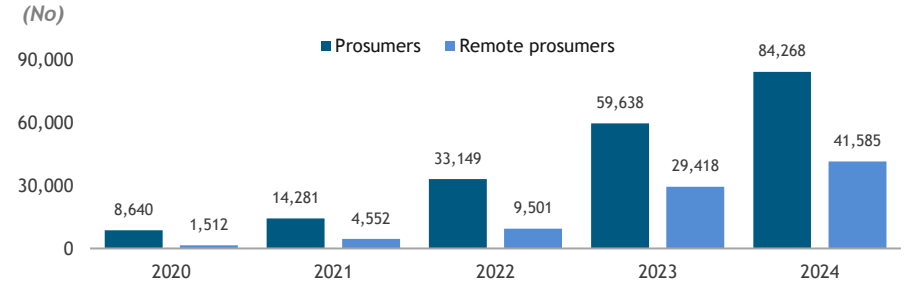
Source: Ministry of Energy, Lithuanian Energy Agency, www.offshorewind.lt (07.02.2025)

## Wind Power Plants Installed Capacity



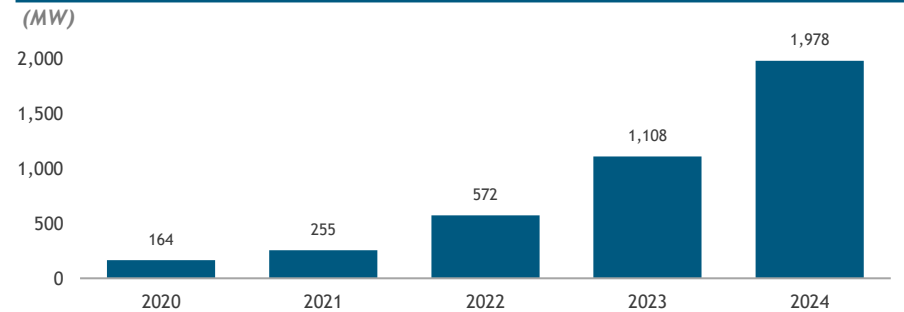
Source: Lithuanian Energy Agency (16.01.2025)

## Energy Prosumers



Note: Remote prosumers are prosumers which purchased or rented a part of the solar power plant from solar park.  
Source: Lithuanian Energy Agency (16.01.2025)

## Solar Power Plants Installed Capacity



Source: Lithuanian Energy Agency (16.01.2025)



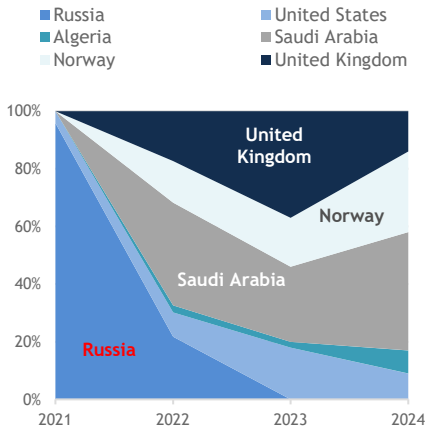
# A Determined Strategy to Secure Oil and Gas Supply Away from Russia

- The annual regasification capacity of the Klaipeda LNG terminal is at 39 TWh, which is ample for Lithuania's needs of 20-24 TWh.
- In 2024, crude oil imports amounted to 62.8 mn barrels, and LNG imports were 4.1 million m<sup>3</sup>.
- Gas imports from Russia de facto were stopped on 2 April 2022 and the Parliament made this decision de jure in June 2022.
- Gas Interconnection Poland-Lithuania (GIPL) is a natural gas infrastructure that connects Polish and Lithuanian as well as Baltic and Finnish natural gas transmission systems with the EU system. On 1 May 2022, GIPL started commercial operations. The maximum capacity to transport gas from Lithuania to Poland increased to 21 TWh/y and gas transportation capacity from Poland to Lithuania increased to 27 TWh/y.
- Enhancement of Latvia-Lithuania inter-connection (ELLI) was completed in 2023. Project implementation doubled gas transmission capacities between two countries and provide better conditions for the use of Inčukalns Underground Gas Storage.

Source: Ministry of Energy (16.01.2025)

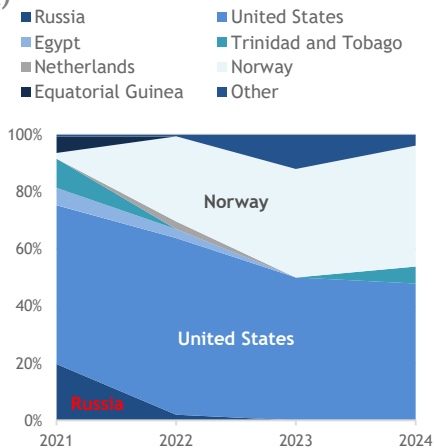
## Crude Oil Imports

(Share of total)

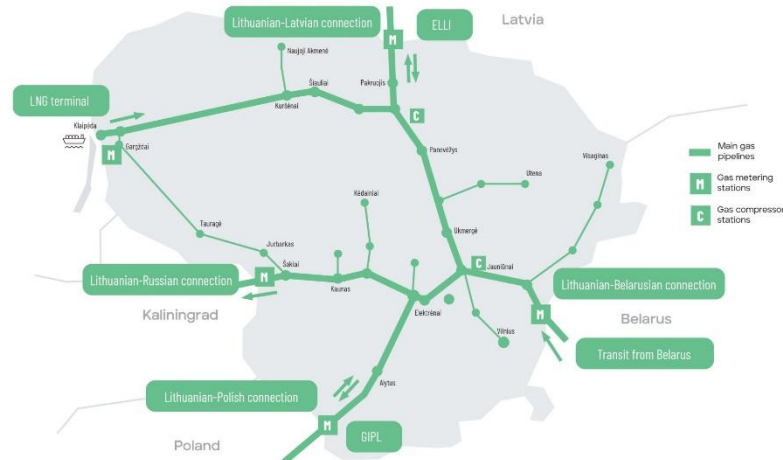


Source: Lithuanian Energy Agency (16.01.2025)

## LNG Imports



## Gas Network in Lithuania



Source: Ministry of Energy, Amber Grid (16.01.2025)



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# Budget Execution and Medium-Term Fiscal Priorities

## Overview

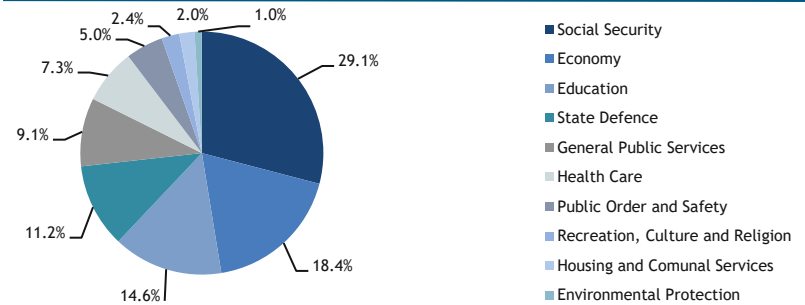
- Lithuania has a tradition of fiscal prudence that has allowed it to deliver strong fiscal outcomes and to maintain debt ratios less than half the average for the euro area and lower than most regional peers.
- In 2023, the General Government (GG)<sup>(1)</sup> outperformed its targets by a large margin, delivering a deficit of 0.8% of GDP versus the originally budgeted 4.9% of GDP. This performance was achieved without jeopardizing key spending commitments, as energy prices were lower than budgeted, and revenues increased in all subsectors of the GG.
- In 2024, the GG deficit is forecasted to be 2.2% of GDP versus the originally budgeted 3% of GDP.
- Law on Budget 2025-2027 was approved by the Parliament on 19 December 2024<sup>(2)</sup>:
  - The GG deficit will not exceed 3% of GDP<sup>(2)</sup> (as required by the Maastricht criterion over 2025-2027).
  - It reflects the new Government's greater focus on defence funding, improvement of the country's external and internal security situation, road infrastructure and informal education.
- In 2025, Lithuania will invest almost EUR 3.6 billion (over 3.2 billion from the EU programmes (2021-2027 investment programme, RRF etc.) and about EUR 0.3 billion from national funds to ensure the co-investment of the EU programmes). The largest investment (EUR 1.7 billion) will be allocated to green transition, EUR 263 million will be earmarked for education, EUR 206 million for science, business and innovation and EUR 147 million for digital transition.
- It is planned that GG revenue and expenditure in 2025 will amount to EUR 30.2 billion and EUR 34.5 billion, respectively.

Notes: (1) General Government consolidates the State budget, budgets of 60 municipalities, Social Security Funds and other extra-budgetary funds;

(2) <https://finmin.lrv.lt/en/news/the-seimas-approved-the-budget-for-2025-2027/>

Source: Ministry of Finance (10.01.2025)

## 2025 State Budget Expenditure by Activity Areas



Source: Ministry of Finance, <https://finmin.lrv.lt/en/news/the-seimas-approved-the-budget-for-2025-2027/> (04.01.2025)

## Projected Increase in Revenue and Expenditure in 2025<sup>(1)</sup>

Budgets	Revenue		Expenditure	
	by EUR mn	change in %	by EUR mn	change in %
State Budget (incl. EU Funds)	1,000.2	5.9	2,070.9	9.8
State Social Insurance Fund	726.5	9.2	844.3	11.9
Compulsory Health Insurance Fund	478.7	13.8	478.7	13.8
Municipal Budgets	836.8	14.3	733.0	12.3

Notes: (1) The increase was calculated compared to approved Budget 2024.

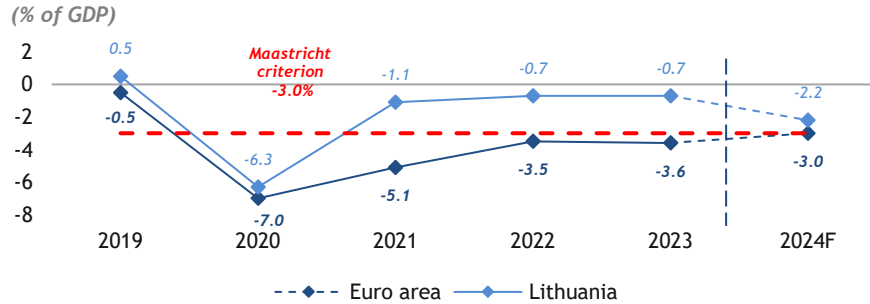
Source: Ministry of Finance (04.01.2025)





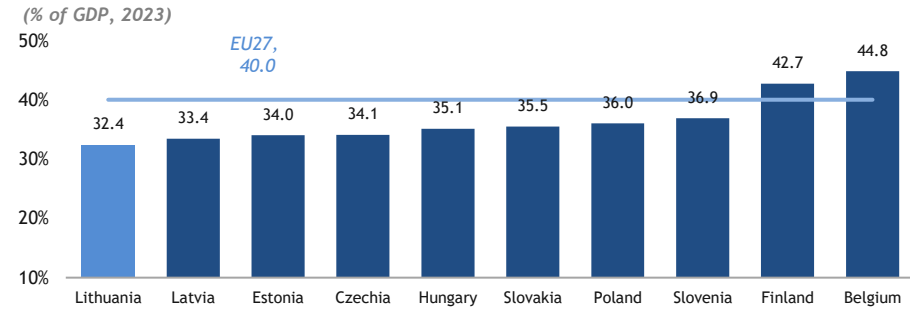
# General Government Expenditure and Revenue

## General Government Balance, ESA 2010



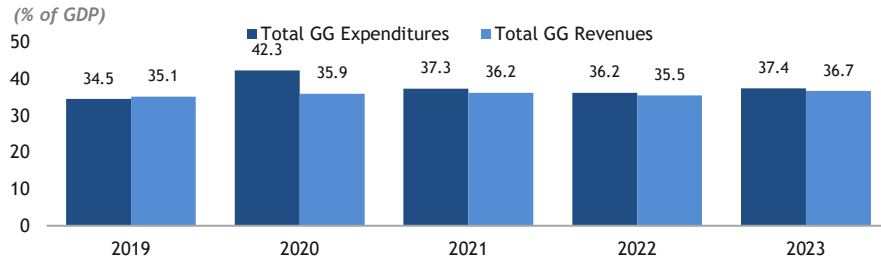
Sources: Eurostat, European Commission's Autumn 2024 Economic Forecast, Ministry of Finance (04.01.2025)

## Tax-to-GDP ratio



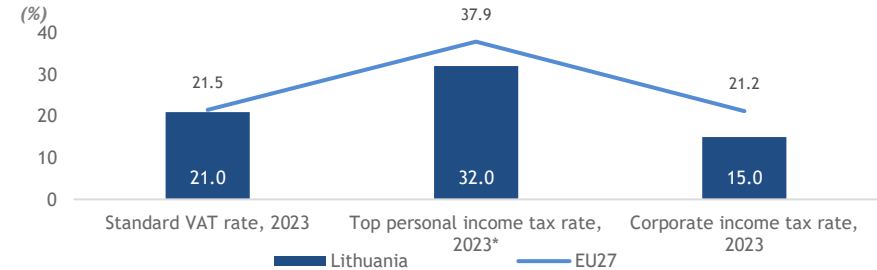
Source: Eurostat (21.11.2024)

## General Government Expenditure and Revenue



Sources: <https://ec.europa.eu/eurostat/databrowser/view/tec00023/default/table?lang=en>  
<https://ec.europa.eu/eurostat/databrowser/view/tec00021/default/table?lang=en>

## Rates of Main Taxes



Note: (2) Regular PIT rate is 20%. Top (maximum) PIT rate of 32% is applied on the income amounts exceeding the threshold of EUR 101,094 per calendar year in 2023.

Source: [https://ec.europa.eu/taxation\\_customs/business/economic-analysis-taxation/data-taxation\\_en](https://ec.europa.eu/taxation_customs/business/economic-analysis-taxation/data-taxation_en) (24.10.2024)

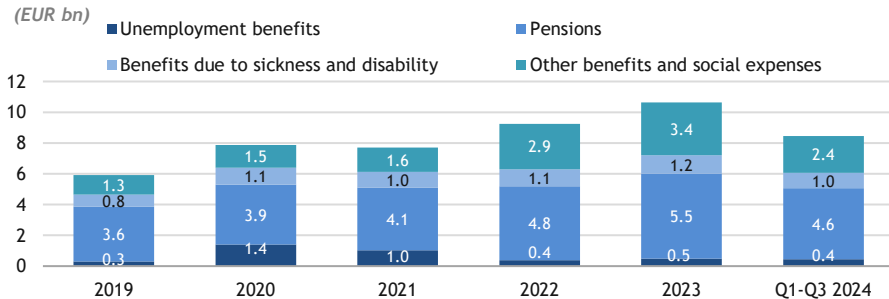


# Social Security and Pension System

## Social Security

- A major component of the Government's expenditure is **social security payments**
- The key goal of the social insurance system is to **guarantee income of the insured in cases of incapacity for work due to disease, maternity, old-age, disability**, and other cases as provided for in the Law on State Social Insurance
- The social insurance system is **mainly based on the pay-as-you-go (PAYG) principle**. The average rate of the state social insurance contributions payable from the salary of an insured person for pension, sickness, maternity and health insurance was **19.5%** as at the end of 2024.
- There are four social security funds in Lithuania:
  - State Social Insurance Fund
  - Compulsory Health Insurance Fund
  - Guarantee Fund (financed by employers' contributions)
  - Long-Term Work Benefit Fund (financed by employers' contributions)

## Public Finance Expenditure on Social Security



Sources: Ministry of Finance, [www.lietuvosfinansai.lt](http://www.lietuvosfinansai.lt) (09.01.2025)

## Pension System Consists of 3-Pillar Scheme and Other Pensions

### First Pillar: Statutory Mandatory Pension Scheme

- Types: old-age, work incapacity, orphans, widow/widower
- Retirement age is being gradually increased until reaches 65 for men and women in 2026
- Required minimum period of insurance: 15 years for old-age; for work incapacity - depends on age
- Old-age pension consists of two components: general (flat rate component with an increase for extra length of insurance above the obligatory period) and individual (pension points, earnings related)
- General part is financed from the general taxes, individual one - on a PAYG basis
- Both the basic pension amount and the pension point value are annually adjusted by the growth of the total wage bill in the economy, averaged over the past three years, the current year, and three forecasted years

### Second Pillar: Quasi-Mandatory Funded Pension Scheme

- Introduced in 2004, changed in 2019
- Joining scheme: since 2019 - auto-enrolment with the possibility to opt-out within the specified period, later no opt out is possible until the retirement age
- Contribution rate: 3 % (person's contribution calculated based on a person's wage) + 1.5 % (State's subsidy calculated based on average wage)
- Investments in pension funds: life-cycle approach
- One centralised public annuity provider - The State Social Insurance Fund

### Third Pillar: Voluntary Pension Accumulation

- Financed by individual voluntary contributions, which are tax-deductible

### State Pensions (supplementary)

- Non-contributory supplementary payments for some specific groups. Paid from the general budget along with the social insurance pensions:
  - Victims of Soviet occupation (exile, Chernobyl's liquidators, soldiers in Afghanistan, etc.)
  - Specific occupations (military and interior service, judges, President, ballet dancers, etc.)
  - 1st and 2nd degree pensions for specific merits (National Award, donors, mothers with 5 or more children, Olympic Games, etc.)

### Social Assistance Pensions

- Minimum guarantee scheme. Old-age, disability and orphans' pensions for those who are not entitled to social insurance pensions and disability pensions for those who are disabled from the childhood

Source: Ministry of Social Security and Labour



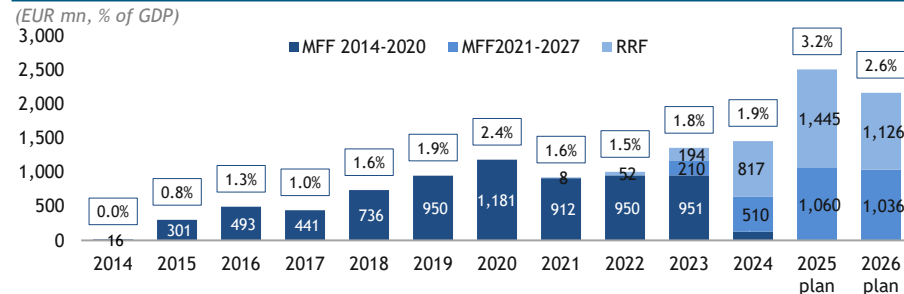
# EU Funds Support Lithuania's Growth and Reform Agenda

## Key Highlights

- Lithuania is a beneficiary of the funds allocated through Cohesion Policy over the period 2021-2027 (IP) amounting to EUR 6.4bn, which together with at least EUR 1.7bn national co-financing would make up to EUR 8bn investments towards converging with EU.
- Also, structural reforms are financed through the extraordinary Recovery and Resilience facility (RRF) from which Lithuania received EUR 2.3bn in direct grants. RRF funds are most notably earmarked for reforms in the Green and Digital transformation, respectively 43% and 33% of RRF funds.
- The Commission assessed Lithuania's third RRF payment request positively - in December 2024, Lithuania received EUR 463mn (after pre-financing). Total Commission payments by the end of 2024: EUR 1.06bn in grants and EUR 759mn loan.
- The third amendment of the Lithuania's Recovery and Resilience plan (RRP) was submitted to the Commission at the end of November. The proposed amendment aims to address objective challenges that have arisen during the RRP implementation process and are necessary to ensure the successful implementation of all our RRP measures.
- In addition to Cohesion Policy and RRF funds, Lithuania continues to receive funds allocated through the EU Multiannual Financial Framework (MMF). It is projected that total EU budget contributions to Lithuania will reach EUR 15.6bn for the period 2021-2027, an increase of 23.8% compared to the 2014-2020 period. Thus, Lithuania will receive 3.4 times more from the EU budget than it contributes.

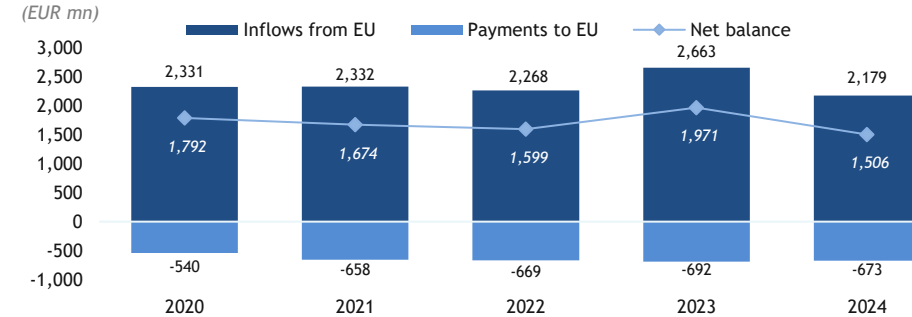
Note: Numbers have been rounded.  
Source: Ministry of Finance (10.02.2025).

## Payments of EU Funds under Selected Programmes



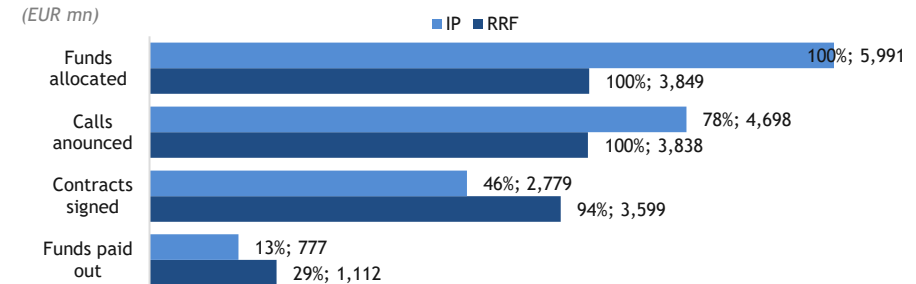
Note: Numbers have been rounded.  
Source: Ministry of Finance (21.03.2025), Eurostat

## Net Balance of Payments from EU



Note: Numbers have been rounded and include payments under all programmes with EU.  
Source: Ministry of Finance (07.01.2025).

## State of Implementation: IP and RRF Funds up to 28 February, 2025



Note: Numbers have been rounded.  
Source: Ministry of Finance (21.03.2025).

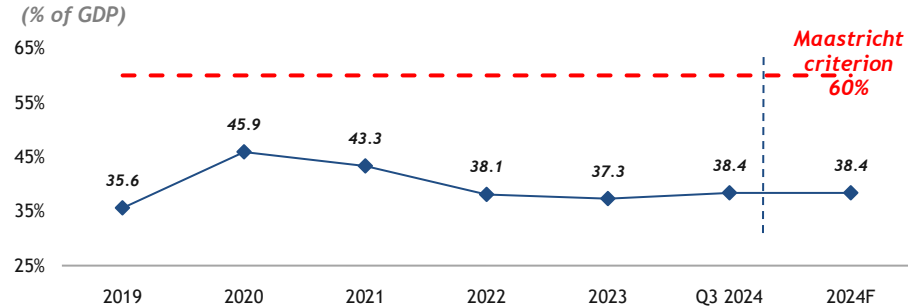


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# Relatively Modest Borrowing Needs Result in Stable Debt Level

## General Government Debt, ESA 2010



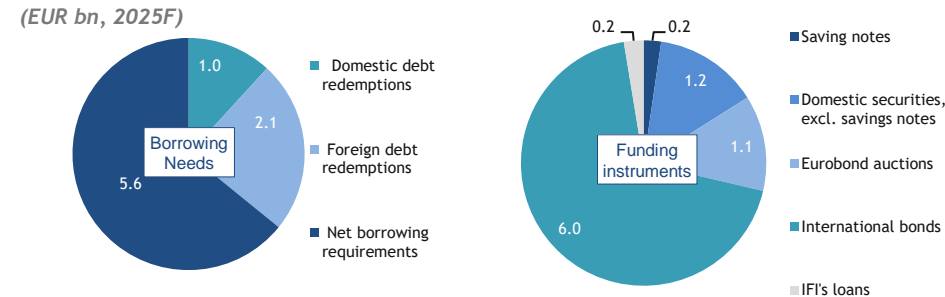
Sources: Eurostat (GOV\_10Q\_GGDEBT), Ministry of Finance (03.02.2025)

## Moderate Government Debt Burden

- General government debt, which increased during Covid-19 crisis, is stabilising
- As of 30 September 2024, Lithuania's gross external debt was 73.4% of GDP and net external debt amounted to -13.1% of GDP (see Slide 16)
- As of 30 September 2024, General Government debt was approximately EUR 29.5 bn, amounting to 38.4% of GDP
- Government annual borrowing needs are expected to be at EUR 7.9 bn on average in 2025-2027
- As of 31 December 2023, effective interest rate on GG debt portfolio remains low at 1.6%

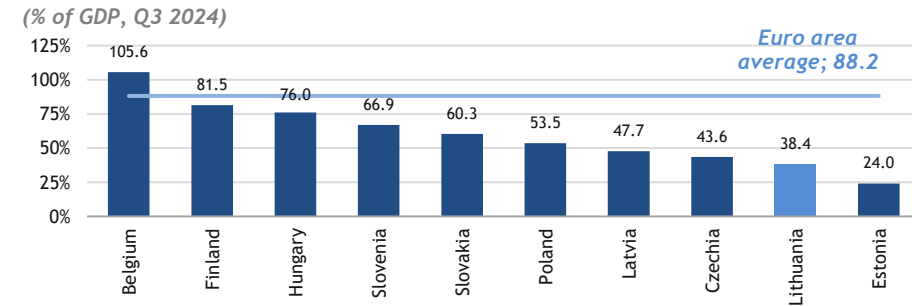
Sources: Eurostat (GOV\_10Q\_GGDEBT), Bank of Lithuania, Statistics Lithuania, Ministry of Finance (06.02.2025)

## Borrowing Needs and Government Debt Financing



Notes: Numbers have been rounded.  
Source: Ministry of Finance, <https://finmin.lrv.lt/en/news/the-seimas-approved-the-budget-for-2025-2027> (05.01.2025)

## General Government Debt



Source: Eurostat (03.02.2025)



# Efficient Funding and Debt Management

## Borrowing and Debt Management Strategy

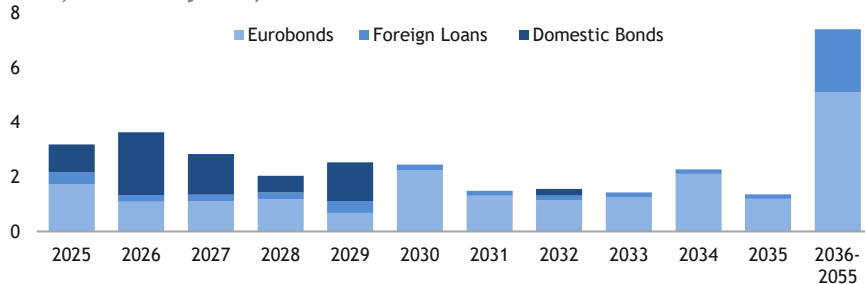
Current debt management objectives set in the Stability Programme of Lithuania for 2023 and valid for 2023-2026:

- Seeking acceptable interest rate, refinancing, exchange rate and guaranteed debt risks
- Focus on investor communication by aiming to maintain current relationships as well as attract new investors
- Creating new or adapting existing Government borrowing instruments so that general government sector entities can lend idle funds to the State Treasury

Source: Ministry of Finance

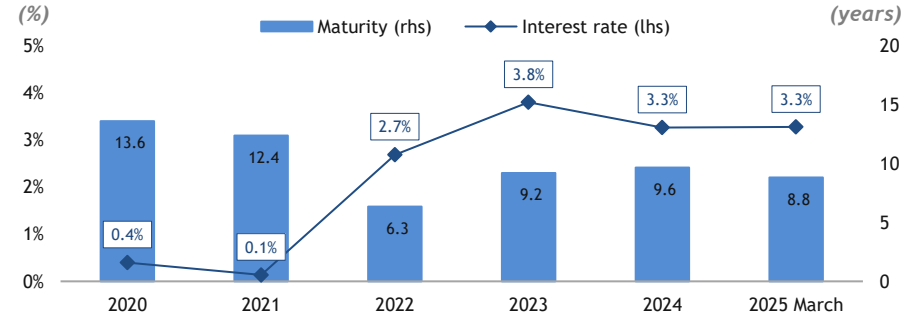
## Debt Redemption Profile

(EUR bn, 28 February 2025)



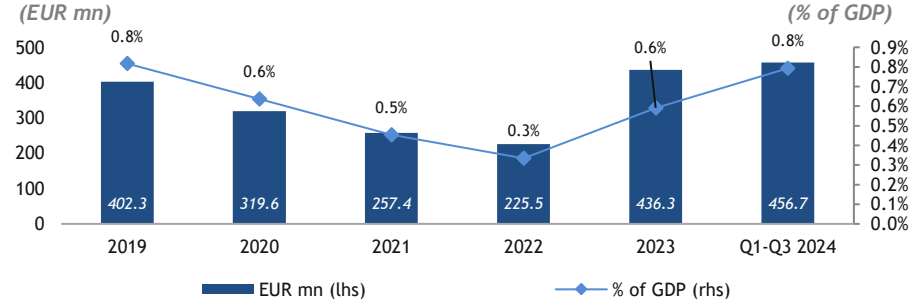
Source: Ministry of Finance (21.03.2025)

## Government New Borrowing Metrics



Source: Ministry of Finance (27.03.2025)

## Interest Expenditure is still Low



Note: According to ESA 2010 interest expenditure excluding derivative transactions

Source: Statistics Lithuania (10.01.2025)



# Debt Limits and Other Liabilities

## Relevant Figures for 2025

- The Government's gross borrowing requirement is expected to total up to EUR 8.8 bn.
- The limit for net change in debt liabilities is set at approx. EUR 5.95 bn.
- The debt redemptions is expected to amount to EUR 3.2 bn.
- General Government debt is forecasted to reach 43.3% at the end of 2025.

Sources: Law on Budget 2025-2027 (05.01.2025), Ministry of Finance (05.01.2025).

## Borrowing from IFIs

IFI	Purpose of Loan	EUR mn
EU	Support to mitigate Unemployment Risks in an Emergency (SURE) due to the COVID-19 outbreak; Financing of the European RRF measures	1,857.6
EIB	Co-financing of Lithuanian operational programmes	2,095.9
NIB	Financing additional expenditure due to COVID-19 outbreak; Public Sector Efficiency Project and the Housing Renovation Programme	374.6
CEB	Financing additional expenditure due to COVID-19 outbreak; Public Investment Programmes; Multi-Apartment Building Modernisation Programme	635.3

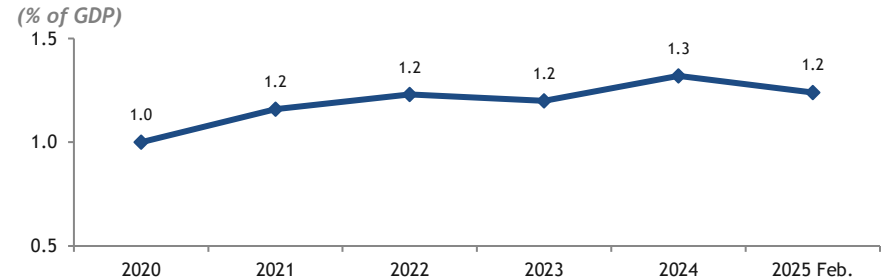
Note: Loans outstanding as of 28 February 2025.  
Source: Ministry of Finance

## Debt Limits for Borrowing on Behalf of the State

	Limit	As of 28 February 2025
Floating rate debt	10%	0.8%
Residual short-term debt	25%	11.0%
Minimum weighted average residual maturity	≥4 years	8.2 years
Minimum weighted average time to re-fixing	≥3.5 years	8.0 years

Note: Numbers have been rounded.  
Source: Ministry of Finance (27.03.2025)

## State Guarantees



Source: Ministry of Finance (27.03.2025)



# Borrowing: Domestic vs. Foreign Market

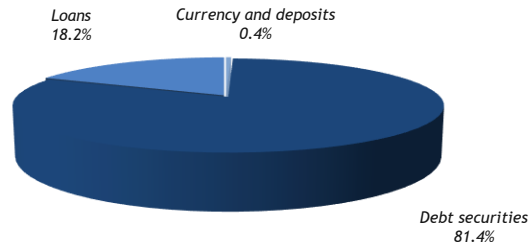
## Important Considerations

	Domestic market	EMTN Programme
Law	Lithuanian	English
Documentation	Ministry of Finance decision under the Government decree	Ministry of Finance decision under the Programme
Stock exchange	Nasdaq Vilnius	Luxembourg
Depository	Nasdaq CSD SE	Euroclear/Clearstream
Number of issues outstanding <sup>(1)</sup>	14	18 Eurobonds (Reg S)
Euro zone Model CACs	Inclusive for all issues after Jan 2015	

Notes: (1) Excluding savings notes, as of 21 March 2025.  
Source: Ministry of Finance.

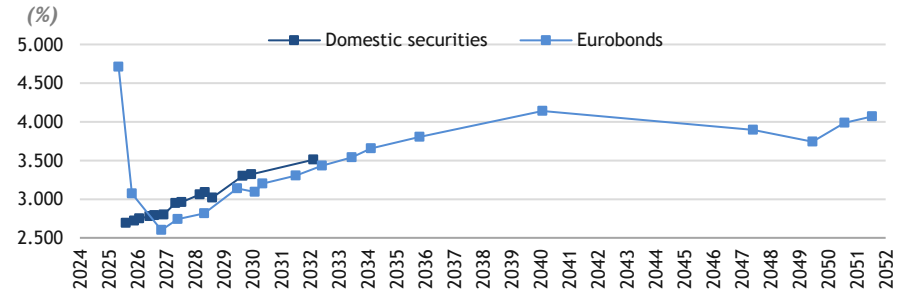
## Composition of General Government Debt by Instruments

(30 September 2024)



Source: Statistics Lithuania (10.01.2025)

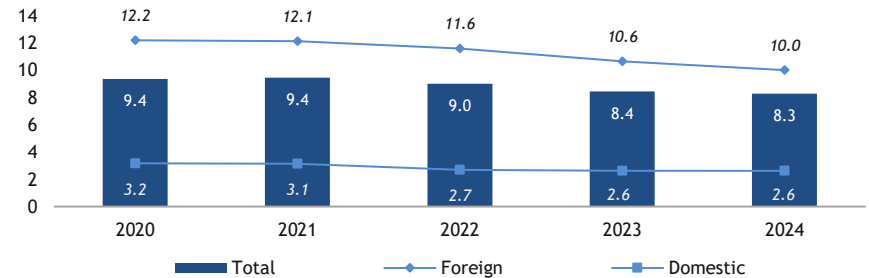
## Yield Curves



Note: Average bid yields as of 27 March 2025.  
Sources: Ministry of Finance, Bank of Lithuania.

## Average Remaining Maturity of Debt on Behalf of the State

(end of period, years)



Source: Ministry of Finance (05.01.2025)





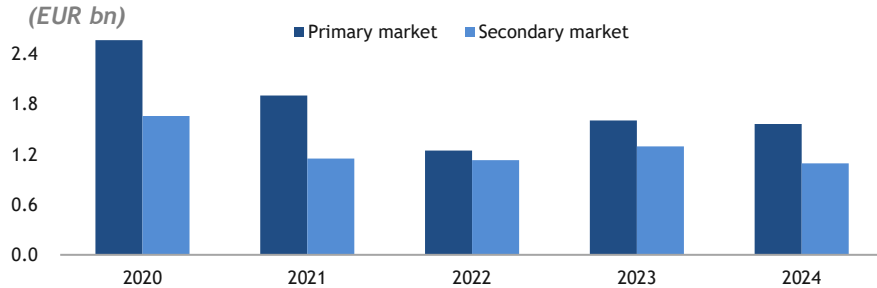
# Domestic market (LITHUN)

## Domestic Market Infrastructure

- Multi-price auctions every Monday, settled T+2 (domestically registered issues) or T+5 (Eurobond taps) organised by Nasdaq Vilnius
- Seven auction participants (AS "Citadele Banka", Luminor Bank AS, Erste Group Bank AG, AB SEB bankas, AB Šiaulių bankas, "Swedbank" AS, "Swedbank", AB)
- In September 2021, the Ministry of Finance began to tap Eurobond issues in the domestic market
- For the period August 2023 - September 2024, saving notes were available to retail investors each month. The issuance of 14 saving notes (all 1-year maturity, coupon of 3.0-3.8%) has reached a total of EUR 241 mn.
- In October 2024, defence bonds began to be issued with a coupon of 2% to replace saving notes.

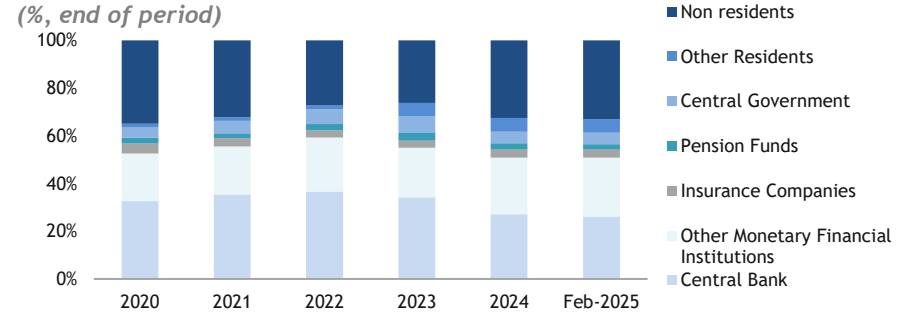
Source: Ministry of Finance (03.02.2025)

## Turnover in Primary and Secondary Markets



Note: Eurobond taps not included.  
Source: EMAR data, Ministry of Finance (03.02.2025)

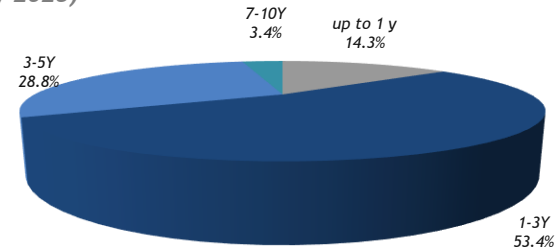
## Holders of LITHUN



Note: Eurobond taps not included.  
Source: Bank of Lithuania (27.03.2025)

## Domestic Government Securities by Residual Maturity

(28 February 2025)

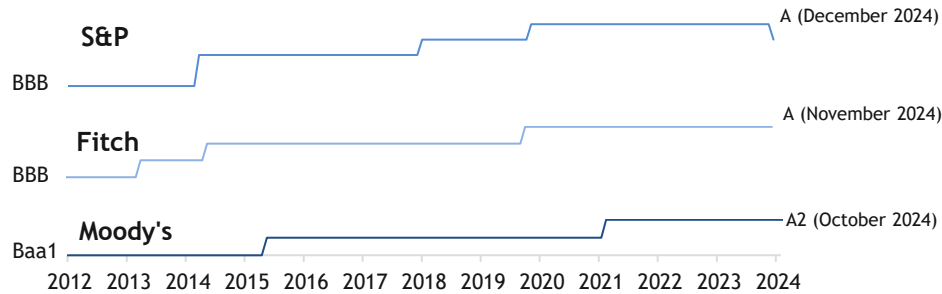


Note: Eurobond taps not included.  
Source: Ministry of Finance (21.03.2025)



# Solid Ratings Anchored in a Flexible and Credible Policy Framework

## Ratings Development since 2012



Sources: Fitch Ratings, Moody's, Standard&Poor's (10.01.2025)

## Peer Comparison

	MOODY'S	S&P Global Ratings	FitchRatings
Finland	Aa1 (stable)	AA+ (stable)	AA+ (negative)
Belgium	Aa3 (negative)	AA (stable)	AA- (negative)
Czechia	Aa3 (stable)	AA- (stable)	AA- (stable)
Estonia	A1 (stable)	A+ (stable)	A+ (stable)
<b>Lithuania</b>	<b>A2 (stable)</b>	<b>A (stable)</b>	<b>A (stable)</b>
Slovenia	A3 (positive)	AA- (positive)	A (stable)
Slovakia	A3 (stable)	A+ (stable)	A- (stable)
Latvia	A3 (stable)	A (stable)	A- (stable)
Poland	A2 (stable)	A- (stable)	A- (stable)
Hungary	Baa2 (negative)	BBB- (stable)	BBB (stable)

Sources: Fitch Ratings, Moody's, Standard & Poor's (10.01.2025)

## Key Strengths and Risk Factors

### Strengths

FitchRatings

"Lithuania's 'A' rating reflects a credible policy framework supported by EU and eurozone membership, moderate government debt, a record of fiscal prudence and governance indicators that are above the median of 'A' category peers. Lithuania is a small and highly open economy, with lower GDP per capita income relative to 'A' peers."

MOODY'S

"The credit profile of Lithuania reflects its strong public finances as well as its small but flexible and diversified economy, and a high level of institutional strength."

S&P Global Ratings

"Lithuania's economy is proving resilient, with robust growth defying weak external demand and geopolitical headwinds."

Sources: Fitch Rating rating action commentary (8 November 2024); Moody's credit opinion (22 October 2024); Standard&Poor's research update (2 December 2024)

### Risks and Sensitivities

"Lithuania is exposed to an escalation of geopolitical tensions through its borders with the Russian enclave of Kaliningrad and Belarus. [...] Risks appear mitigated by NATO's mutual defence clause and Germany's commitment to station a permanent brigade in Lithuania by 2027."

"[...] strengths are set against demographic challenges stemming from a rapidly ageing population and the exposure to external shocks, including geopolitical risks related to the country's tense relations with Russia."

"[...] the impact of the war in Ukraine and wider regional geopolitical risks will continue to weigh on Lithuania's public finances, economic growth, and competitiveness over the medium term, although the magnitude of the impact remains difficult to measure."



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- 27 Public Debt Management
- 34 Banking Sector**



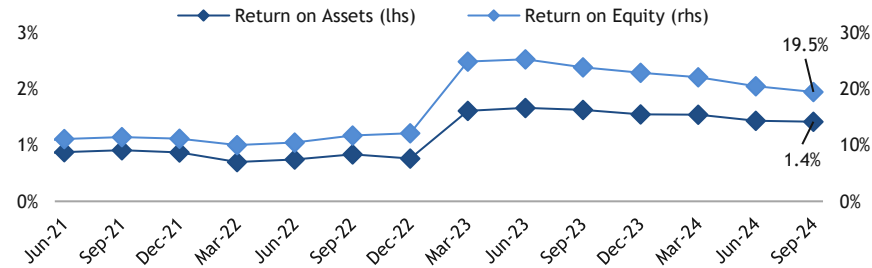
# Banking Sector Benefits from Strong Ratios and Nordic Ownership

## Key Highlights (as of 30 September 2024)

- **13 banks** hold a banking or a specialised bank licence in Lithuania, while **5 banks** operate as foreign bank branches accounting for 16.4% of the market
- The banking sector is still **dominated by Nordic ownership**. The Lithuanian branch of Luminor Bank AS holds the largest share (11.8%) among the foreign bank branches
- As of 30 September 2024, the **capital adequacy ratio of the banking sector was at 21.3** (CET1 at 19.9%), liquidity coverage ratio was at 370.25% and leverage ratio was at 6.5%
- **The profits of the Lithuanian banking sector remained at a record high** (EUR 788.1 mn) in Q1-Q3 of 2024, increasing by EUR 30.7 mn (or 4.1%) compared to the same period in 2023 (EUR 757.5 mn).
- The solidarity contribution (made by banks, which generate significantly higher than expected net interest income) for 2024 is projected to be around EUR 240 mn, whereas the contribution for the previous year was nearly EUR 255 mn (after the entry into force of the Law on Temporary Solidarity Contribution). It is estimated that **the total amount of temporary solidarity levies paid for 2023-2025 could be around EUR 580-590 mn**.

Source: Bank of Lithuania (16.01.2025)

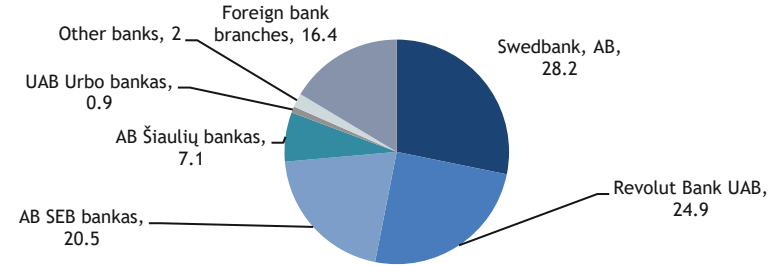
## Profitability Ratios



Source: European Banking Authority <https://www.eba.europa.eu/risk-and-data-analysis/risk-analysis/risk-monitoring/risk-dashboard> (02.01.2025)

## Banks and Foreign Bank Branches Operating in Lithuania

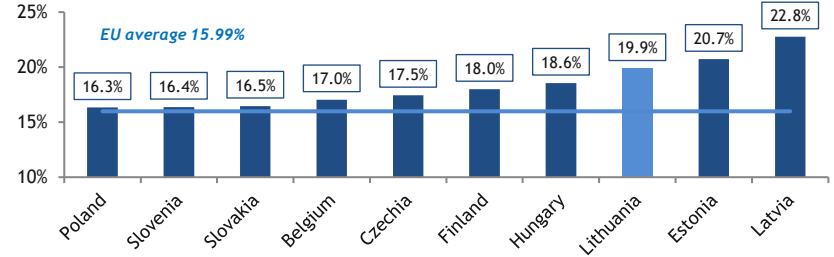
(% of banking system's assets, 30 September 2024)



Source: Bank of Lithuania (16.01.2025)

## Banking system CET1 ratio - Peer Comparison

(%, as of Q3 2024)



Source: EBA, <https://www.eba.europa.eu/risk-analysis-and-data/risk-dashboard> (02.01.2025)



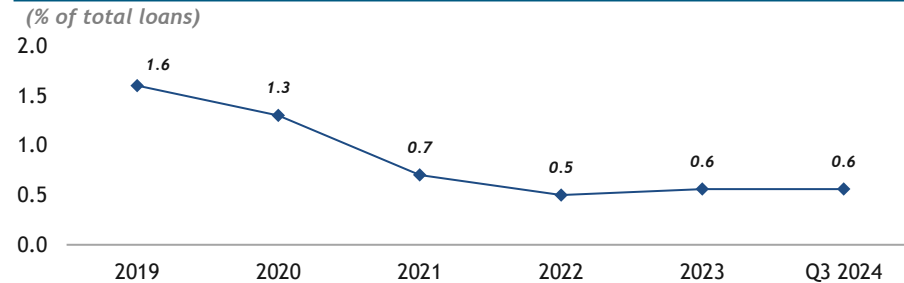
# Household Term Deposits Continue to Grow

## Banking Sector Successfully Withstood Challenges

- Customer deposits were the largest component in bank financing structure: as of 30 September 2024, they accounted for 83.1% of bank liabilities.
- In Q3 2024, total deposits increased by EUR 2.8 bn (5.2%) to EUR 55.5 bn, while after eliminating the impact of Revolut Group, which mainly operates in other EU Member States, total deposits went up by EUR 1.1 bn (2.8%).
- During Q3 2024, the main contributors to the increase in deposits were the growing deposits of non-financial corporations, excluding the impact of the Revolut Group (EUR 0.6 bn or 6.2%), government deposits (EUR 0.4 bn or 7.7%) and household deposits (EUR 0.4 bn or 1.7%). Deposits of other financial corporations fell by EUR 0.2 bn (15.7%).
- In Q3 2024, the loan portfolio increased by EUR 1.04 bn (3.55%) to EUR 30.3 bn and its quality remained largely unchanged.

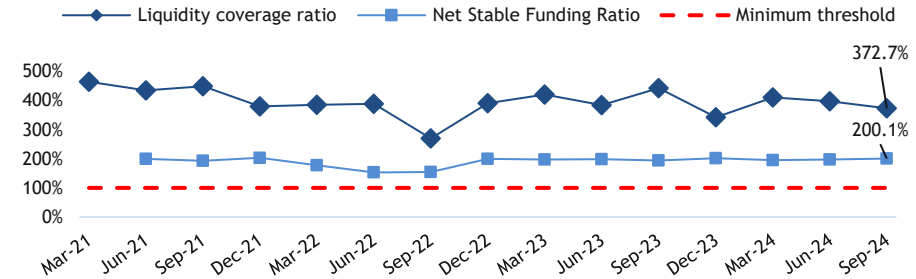
Source: Bank of Lithuania (16.01.2025)

## Non-Performing Debt Instruments



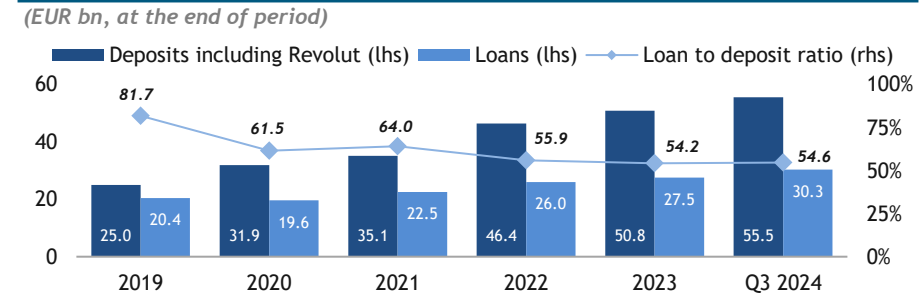
Source: Bank of Lithuania (16.01.2025)

## Liquidity Ratios



Source: European Banking Authority, <https://www.eba.europa.eu/risk-and-data-analysis/risk-analysis/risk-monitoring/risk-dashboard> (02.01.2025)

## Deposits and Loans



Source: Bank of Lithuania (16.01.2025)



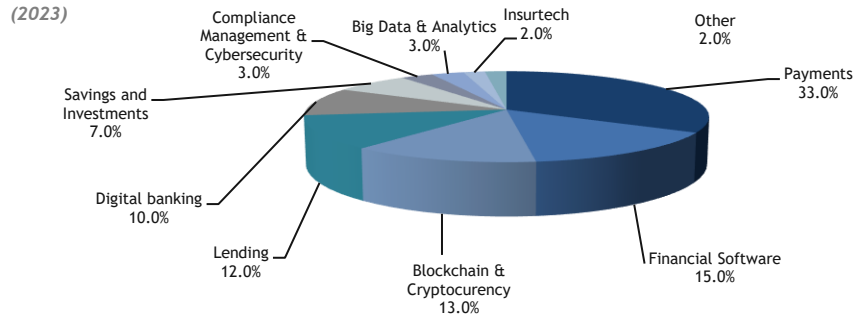
# Growing Fintech Hub

## Key Highlights

- 276 Fintech companies and 140 licenced Fintechs operating in Lithuania at the end of 2023.
- In 2023, the Fintech ecosystem in Lithuania has continued to grow and mature.
- Lithuania's appeal as a Fintech hub continues to grow. While the presence of a skilled workforce and a business-friendly ecosystem are also recognised as important, the strong reputation of Lithuania as a trustworthy financial jurisdiction is becoming an equally dominant factor.
- Nearly 7400 people employed in this sector (5.7% growth in 2023).
- Fintechs operating in Lithuania perform these functions: compliance/fraud/risk management, customer support, business development and sales, software development/R&D, etc.

Sources: Bank of Lithuania, EUCLID Register, Invest Lithuania <https://investlithuania.com/report/fintech-report-2023-2024/> (03.04.2024)

## Composition by Core Business Activity

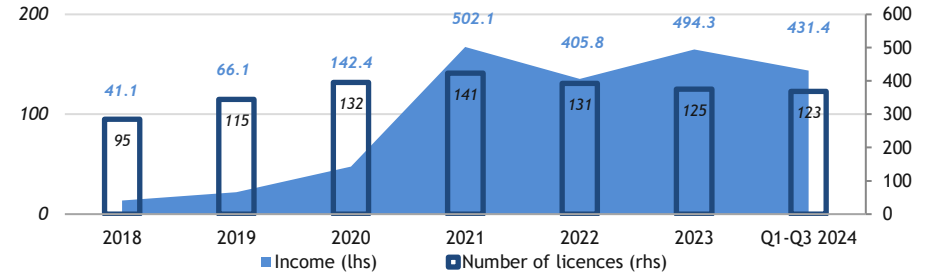


Source: Invest Lithuania <https://investlithuania.com/report/fintech-report-2023-2024/> (03.04.2024)

## Growth of EMI and PI

(Licences at the end of period)

(Income during the period, EUR mln)



Source: Bank of Lithuania <https://www.lb.lt/lt/apzvalgos-ir-leidiniai/category.39/series.3826> (in Lithuanian only) (16.01.2025)

## National Fintech Guidelines for 2023-2028

- Inviting companies creating innovative solutions to Lithuania
- Fostering the sector's qualitative growth
- Working on publicity to improve Lithuanian Fintech sector's global recognition
- Building competencies that would enable Lithuania to become a Fintech competence hub
- Strengthening risk management procedures to ensure that Lithuania is a safe, secure, and reliable jurisdiction

Source: Invest Lithuania (03.04.2024)



# Contacts

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<https://finmin.lrv.lt/en/competence-areas/state-debt-management>

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