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**Economic Development Scenario
2025-2028**

March 2025

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The economic development scenario (hereinafter - the scenario) has been prepared¹ taking into account the national accounts for 2024 and other statistics, changes in the external environment and monetary policy following the scenario published by the Ministry of Finance in December 2024, and other information. The assumptions of the scenario about the external environment and exchange rate are in line with the economic projections and assumptions published by the International Monetary Fund² (IMF) in January this year and economic projections and assumptions published by the European Central Bank (ECB) in December 2024, and the assumptions about energy (oil and natural gas) prices are based on information on future prices.

The IMF projects global economic growth, although the situation varies between countries, and the international trade policy increases uncertainty. According to the IMF economic outlook published in January 2025, gross domestic product (GDP) of the European Union (EU) is expected to grow 1.4 % in 2025, and in 2026 the growth rate will accelerate up to 1.7 %. A slower GDP growth is projected for the euro area – 1 % this year and 1.4 % in 2026. As geopolitical tensions continue to weigh on the market sentiment, the IMF expects the euro area economy to grow gradually. The slower-than-expected growth at the end of 2024, particularly in manufacturing, and increased uncertainty about international trade policy led to a lower GDP growth projection for this year. In 2026, the euro area growth rate should be spurred by stronger domestic demand positively affected by more lenient financing conditions and better expectations of the market participants. Risks surrounding the euro area growth are more negative over the medium term, mainly associated with increased uncertainty about international trade policy. Disinflationary processes disrupted by policy measures could dampen monetary policy easing. Eventual stronger economic growth in the United States of America (USA) over the short term is designated as a positive risk.

Lithuania's economic growth strengthened last year, and the GDP growth is projected to reach almost 3 % in the medium term. Lithuania's GDP grew 2.7 % in 2024, while economic growth in the country was mainly driven by the Lithuanian industry and domestic trade. Household consumption, stimulated by increased purchasing power of the population, was an essential driver of economic growth, accounting for 2 percentage points of the GDP growth. Due to the decline in re-exports and weak exports of goods of the Lithuanian origin, the foreign trade was sluggish, while high financial costs and high uncertainty dampened the investment process in the country, which led to a decrease in investment last year. The scenario foresees that this year the economic growth will be driven by a stronger domestic and external demand, therefore, Lithuania's GDP will grow 2.8 %. In the following years of the medium term, the underlying drivers of economic growth will be the same and the growth rate will also be close to 3%.

¹ The date of inclusion of statistics and other information in the scenario is 28 February 2025.

² IMF Outlook of January 2025 [World Economic Outlook Update, January 2025: Global Growth: Divergent and Uncertain](#)

Labour market remained resilient in 2024, but tensions stemming from the mismatch between the supply of skilled labour force and demand have not decreased. According to the State Data Agency (SDA), the number of job vacancies (newly created and unoccupied) in the country increased by 3.8 % in 2024, while the job vacancy rate stabilised (ceased growing) at 2 %. A historically high number and level of job vacancies together with the rise in the unemployment rate indicate that tensions in the labour market stemming from the mismatch between the labour supply and demand did not decrease last year. The problem of the shortage of workers is also evident from the results³ of the Employers' Survey conducted by the Employment Service at the beginning of this year, which show that the share of employers facing a shortage of qualified workers increased last year. Tensions in the labour market were partly mitigated by increased labour supply - the labour force grew 1.9 % last year. The labour supply was boosted by favourable migration trends. Last year, net migration was positive, amounting to 23.1 thousand persons. A positive net migration (59.1%) was mainly driven by the rapid immigration of foreign nationals from third countries as a result of the ongoing war in Ukraine and the high demand for workers in some economic activities. Returning Lithuanian citizens also made a significant contribution to the positive migration balance. Increased labour market participation of the working-age population - the labour force participation rate for the 15-64 age group increased by 0.7 percentage points up to 79.5 %, also contributed to the increased labour supply.

Increased labour supply created more favourable conditions for the employment growth. In 2024, the number of employed persons in the country grew 1.6 %, or 22.6 thousand, and their increase was driven by the private sector, in particular, information and communication, manufacturing, administrative and support service, construction, accommodation and food services activities. Despite a significant increase in the number of employed persons, the unemployment rate increased by 0.3 percentage points in 2024 and stood at 7.1 % on average. A rapid labour growth and mismatch between the supply of skilled workers and demand - not all labour market participants had the opportunity to quickly find jobs matching their skills, contributed to higher unemployment.

The scenario assumes that the shortage of skilled workers will be a key factor in keeping the unemployment rate relatively high in a context of strong economic growth. The unemployment rate is projected to reach 7 % this year and to gradually decline in the following years of the medium-term, reaching 6.3 % at the end of the period. The scenario is based on the latest⁴ Eurostat population projections (baseline scenario). They foresee that as of 2026, due to a negative natural population change which will not be compensated by less favourable net migration, the number of the working-age population (15-74 years of age) in Lithuania will start to decline, therefore, the space for labour force and employed persons growth will be limited. The number of employed persons is expected to increase by 0.3 % in 2025 and to remain close to 0 in the following medium-term years.

Wage growth is gradually slowing down but remains robust due to a shortage of skilled workers. Wage growth in the country slowed down in 2024 but remained double-digit - average gross monthly wages grew 10.2 %. Wage growth was higher in the public sector (12.8 %) than in the

³ [Employers' experiences and expectations in 2025, Employment Service, February 2025.](#)

⁴ [Eurostat](#). Short term population projections (2023-2050). Publication date: September 2024.

private sector (9 %). Last year, the average gross monthly wage increased in all economic activities from 5.7 % in administrative and support service activity (the least) to 15.7 % in education activity (the most). Wage increases in the country were driven by a high demand for suitably qualified workers and public sector wage-increasing policy. Higher minimum monthly wages (MMW), increasing by 10 % to EUR 924 as of 1 January 2024, also had a catalytic effect. Though the wage growth in the private sector was dampened by the limited financial capacity of companies and the disappearance of price pressures on wages, it remained relatively robust due to the high supply of job vacancies.

Taking into account the actual wage developments in the country in 2024 and the ongoing public sector wage-increasing policy, the scenario envisages that the recent slowdown in the country's wage growth rate will continue over the medium term. Taking into account the increased MMW by 12.3% (up to EUR 1,038) at the beginning of 2025, the decisions taken on the increase of wages of education, health and other public sector workers and the persisting tensions in the labour market stemming from the shortage of properly qualified workers, it is projected that the average gross monthly wage in the country will grow 8.4 % in 2025. In the following medium-term years, in the absence of new political decisions affecting wage developments in the country, the growth rate of wages is expected to slow down and constitute 5.7 % at the end of the period.

Higher administered prices and prices of some raw materials, higher costs and a strong demand are driving up inflation. Price growth decelerated sharply in 2024. The average annual inflation, calculated on the basis of the Harmonised Index of Consumer Prices, was 0.9 % last year. Total inflation was dampened by deflation of goods, in particular, energy goods, whose price development was also driven by the impact of a high benchmark base. Prices of food and non-energy industrial goods declined more moderately. The inflation was supported by service prices, whose growth of 6.1 % was driven by the increase in the minimum monthly wage in the country. Monthly inflation stood at 1.6 % in January, while annual inflation accelerated to 3.4 %. Several factors have had a significant impact on this: excise duty rates on alcoholic beverages, tobacco products and energy goods increased from the beginning of the year, increased minimum monthly wage and increased administered gas prices for household consumers. The additional upward impact from the demand side comes from the household purchasing power which strengthened even last year and which stimulates the demand. In addition to these factors, higher prices for some raw materials will also have an upward impact on prices this year. The increase in food prices will be supported by increased raw milk prices, in the energy commodity group - natural gas prices on the market are expected to be higher by 45%, and more expensive biofuels.

Over the medium term, the inflation rate will be supported by services inflation, which will be driven by the ongoing convergence of services prices, increases in administered prices due to the planned increase in excise duty rates, growing purchasing power of households and domestic demand. The scenario foresees an average annual inflation rate of 3.3% in 2025 and a moderate deceleration in the subsequent years of the medium-term, reaching 2.5% at the end of the period.

Strengthening purchasing power supports the growth of household consumption expenditure. Improving financial situation of the population, low inflation and reduced borrowing

costs last year had a positive impact on the mood of the population and encouraged more active consumption of goods and services in the country. Last year, the growth rate of household consumption expenditure accelerated over the year and grew 3.5 % throughout 2024. Consumption growth significantly (2 percentage points out of 2.7% of GDP growth) contributed to the development of the national economy by stimulating the manufacturing, services and domestic trade sectors. Retail trade rebounded last year and grew 4.8 %. Residents were more active in buying both food and non-food goods. The turnover of non-essential goods increased, and among the main product groups, only textiles, clothing and footwear sales decreased (turnover decreased by 1.9 %).

Improved financial situation, which was also supported by a decrease in servicing costs of financial liabilities, allowed to increase the accumulated financial reserve - the outstanding amount of household deposits kept increasing consistently every month in 2024 and was the highest over the entire observation period of this indicator. Household deposits amounted to EUR 25.7 billion at the end of 2024. In January 2025, the balance of deposits decreased over the month but remained high – being only behind the record level of December 2024. Overnight deposits, which could be used for consumption purposes and stimulate consumption developments in the country declined at the beginning of this year.

The scenario assumes that, due to the labour market situation, wages will continue to grow, therefore, the growth of disposable income will continue to significantly exceed the growth rate of prices, which will lead to the strengthening purchasing power of the population and increase the possibilities to consume not only essential goods and services. Against this background, household consumption expenditure is expected to grow at a similar pace in 2025 (3.6%) as last year. In the following medium-term years, as the financial situation of households continues to improve and the behaviour of the population does not change too much, the development of household consumption expenditure is expected to remain good, and the growth rate will be close to 3.5 %.

Investment fell last year due to high uncertainty and high financing costs. Although interest rates were high last year, the easing of monetary policy which started in the middle of the year encouraged more active lending and contributed to a more viable investment process at the end of the year. After a three-quarter decline, in the fourth quarter investment in the country picked up and cushioned annual performance - expenditure on gross fixed capital formation (GFCF) was by 1.3 % lower in 2024 as compared to 2023. The decline in investment was mainly due to development of investment in transport equipment which was negatively affected by subdued external demand and high uncertainty. Investment in transport equipment fell by 18 % in 2024 and contributed negatively by 2 percentage points to the change in GFCF.

This year, more active investing should be encouraged by a more favourable monetary policy, which increases financial possibilities both by reducing the financial burden on existing liabilities and making it possible to use these funds for other purposes (including investment) and by concluding financing agreements for new projects. The loan data for January 2025 shows that corporate loans continued to grow at a double-digit accelerating pace. Positive trends can also be seen in expectations and output produced at the beginning of 2025 by one of the largest investment sectors in Lithuania – industry and could encourage a more active implementation of investment projects.

The scenario envisages a stronger focus on the modernisation of operational production and equipment upgrade, as investment in technological renewal and efficiency improvement would help address the continuing need to increase labour productivity. Funds allocated to national defence will also contribute to the investment process in the country. The scenario assumes that, in the context of growing external and domestic demand, the need to invest in measures increasing labour productivity and green technologies will remain, investment in national security will increase, therefore, expenditure on GFCF will recover this year and will grow by more than 5 % in all medium-term years.

After a sluggish development last year, export growth this year will be supported by stronger external demand, recovering exports of goods of the Lithuanian origin and strong exports of services, although uncertainty is increasing. According to the data of National Accounts, real exports of goods and services grew 0.3 % in 2024. A sluggish growth of this indicator was driven by decrease in the volume of exports of goods, but the growth of exports of services offset this negative impact. The unfavourable geopolitical situation and EU sanctions on dual-use goods exported to Russia and Belarus led to a decrease of 19.8 % in the value of re-exports of goods. After a poor first half of the year, the development of exports of goods of the Lithuanian origin driven by growing manufacturing production started to recover in the second half of the year. This was positively affected by the improved export performance of chemical products, engineering equipment, metals, plastics and rubber.

It is projected that in 2025, due to higher external demand, the growth trend of manufacturing production will continue and promote the recovery of exports of goods of the Lithuanian origin. Re-exports of goods will remain restricted as a result of the EU sanctions on dual-use goods exported to Russia and Belarus, although a sharp decline is not expected due to the fall in the benchmark base. The ongoing easing of monetary policy will also have a positive impact on the overall growth of exports of goods this year. Reduction of interest rates should accelerate the growth of exports of products whose demand is affected by the developments in the construction and real estate sectors. A low benchmark base formed in 2024 will also have a positive effect. A stronger external demand over the medium term is expected to encourage the growth of services exports. In the following medium-term years, changes in the volumes of exports of goods and services will be influenced by faster growth of export markets, the development of the geopolitical situation and the risks of international trade involved, flexibility of exporting companies to adapt to changed market conditions, their decisions to invest in technological progress and productivity-enhancing measures. Against this background, exports of goods and services are expected to grow 3.5 % per year in 2025 and accelerate to 4.0 % in 2026-2028.

The scenario has been developed against a background of increased external environment instability and economic uncertainty, continuing geopolitical tensions and growing uncertainty about international trade policy.

Uncertainty about the development of energy commodity prices remains particularly high due to Russia's ongoing war against Ukraine and the ongoing geopolitical turmoil in the Middle East. Technical assumptions for energy commodity prices in the scenario were derived from future prices

on 25 February 2025. Brent oil prices are assumed to be USD 74.4 /bar in 2025 and USD 70.8/bar in 2026-2028. The natural gas price assumption is EUR 49.9/MWh in 2025, EUR 40.0/MWh in 2026, EUR 31.9/MWh in 2027 and EUR 27.2/MWh in 2028. Changes in these technical assumptions would change the **inflation** development outlook. Other factors - new (unknown at the time of the scenario) decisions on administered prices, possible changes in taxes and pension accumulation systems, restrictions on international trade, and changes in monetary and labour market policy may also have impact on the medium-term inflation outlook.

When drafting the scenario, the **demographic development assumptions** were in line with the latest Eurostat population projections (baseline scenario) published at the end of September 2024. They foresee that a decrease in the population (15-74 years of age) participating in the labour market will start in 2026, which will accelerate every year and continue throughout the economic development scenario. Changes in demographic projections, international migration trends or assumptions about labour force participation rates, as well as the rise of global trade protectionism, would change the outlook for the development of **labour market** indicators. New decisions on public sector wage policies, minimum monthly wages in the medium term would affect the average gross monthly **wage** estimates projected in this scenario. Wage developments in the private sector would also be affected by fluctuations in demand, changes in the labour force, prolonged high uncertainty and instability, and changes in the financial situation of companies.

Estimates of **exports of goods and services** in the scenario may change due to the unfulfilled technical assumptions about external demand that formed the basis for this scenario. Markets are currently facing considerable economic uncertainty over the conditions of international trade as a result of the US deliberations to impose the customs duty on EU goods. The deterioration of international trade conditions due to the application of the duty may negatively affect the development of Lithuania's exports of goods, as the country's main export partner for goods is the EU, and the country's producers are involved in the supply chains of the Community industry. Developments in financial markets could also affect foreign trade volumes if they affect external demand.

The projected **development of investment** could change due to geopolitical factors, changes in the labour market, an increase in investment in national security, changes in monetary policy, changes in internal and external demand, and the development of the implementation of projects financed by EU funds and other instruments.

Changes in the habits and behaviour of the population, financial situation of households, purchasing power and the demographic situation would result in a different development of **household consumption** expenditure than assumed in this scenario.

Estimates of the projections of the scenario are strongly influenced by publicly available statistical data at the time of drafting the scenario, which may change significantly as a result of data reviews/revisions carried out by the SDA. The estimates foreseen in the scenario could also change as a result of decisions taken by economic policymakers such as easing of monetary policy, future decisions on the country's budgetary policies after the scenario was drafted.

If the underlying assumptions on the basis of which this scenario is drafted do not fulfil, the estimates for most of the indicators in this scenario would change.

Table 1. Key macroeconomic indicators

Title of the indicator	ESA 2010 code	2024	2025	2026	2027	2028
1. Real Gross Domestic Product (GDP), rate of change, %	B1*g	2.7	2.8	2.9	2.9	2.8
2. Real GDP, MEUR	B1*g	59,907.3	61,601.9	63,381.1	65,191.7	67,035.5
3. Nominal GDP, rate of change, %	B1*g	5.6	6.3	5.8	5.6	5.5
4. Nominal GDP, MEUR	B1*g	77,940.0	82,850.0	87,634.4	92,579.4	97,675.1
5. Labour productivity (real GDP per employed person), rate of change, %		1.1	2.5	2.7	2.8	3.0
Real GDP components, rate of change, %						
6. Household consumption expenditure	P.3	3.5	3.6	3.5	3.4	3.4
7. Government consumption expenditure	P.3	1.3	0.1	0.1	0.1	0.1
8. Gross fixed capital formation	P.51	-1.3	5.2	5.8	5.4	5.2
9. Exports of goods and services	P.6	0.3	3.5	4.0	4.0	4.0
10. Imports of goods and services	P.7	0.5	4.3	4.7	4.7	4.6

ESA - European System of Accounts

Table 2. Price indicators

Title of the indicator	2024	2025	2026	2027	2028
	Change, %				
1. GDP deflator	2.8	3.4	2.8	2.7	2.6
2. Household consumption expenditure deflator	0.8	3.3	2.7	2.6	2.5
3. Government consumption expenditure deflator	10.6	10.5	4.4	3.9	3.9
4. Gross fixed capital formation deflator	2.2	2.3	2.3	2.3	2.3
5. Exports (goods and services) deflator	0.8	1.2	1.7	1.7	1.7
6. Imports (goods and services) deflator	-1.5	1.2	1.7	1.7	1.7
7. Harmonised index of consumer prices (average annual)	0.9	3.3	2.7	2.6	2.5

Table 3: Labour market indicators

Title of the indicator	2024	2025	2026	2027	2028
1. Number of employed persons (acc. to Labour Force Survey methodology), persons thou.	1,463.7	1,468.6	1,471.1	1,471.2	1,469.4
2. Number of employed persons (acc. to Labour Force Survey methodology), rate of change, %	1.6	0.3	0.2	0.0	-0.1
3. Unemployment rate (acc. to Labour Force Survey methodology), %	7.1	7.0	6.8	6.5	6.3
4. Average monthly gross earnings, EUR	2,218.4	2,404.8	2,568.0	2,715.3	2,871.4
5. Average monthly gross earnings, rate of change, %	10.2	8.4	6.8	5.7	5.7
6. Annual fund for wages and salaries, MEUR	30,962.3	33,675.0	36,022.2	38,090.8	40,232.8
7. Annual fund for wages and salaries, rate of change, %	11.2	8.8	7.0	5.7	5.6

Table 4: Key assumptions

Title of the indicator	2024	2025	2026	2027	2028
1. USD/EUR exchange rate ¹	1.08	1.06	1.06	1.06	1.06
2. World (excl. EU) GDP, rate of change, % ²	3.6	3.6	3.6	3.6	3.6
3. EU GDP, rate of change, % ³	1.0	1.4	1.7	1.7	1.7
4. Main export markets, rate of change, % ⁴	1.9	2.1	2.3	2.3	2.3
5. Oil prices (<i>Brent</i> , US dollars per barrel) ⁵	79.7	74.4	70.8	70.8	70.8

Sources:

¹ECB (December 2024);

²IMF (January 2025), calculations by the Ministry of Finance;

³IMF (January 2025);

⁴Calculations by the Ministry of Finance;

⁵Macrobond (25 February 2025), calculations by the Ministry of Finance.

Table 5: Comparison of the key indicators of the economic development scenario

Title of the indicator	2024	2025	2026	2027	2028
Nominal GDP, MEUR	77, 940	82, 850	87, 634	92, 579	97, 675
Real GDP, rate of change, %	2.7	2.8 (2.8)	2.9 (2.9)	2.9 (2.9)	2.9
Harmonised index of consumer prices (average annual) rate of change, %	0.9	3.3 (2.5)	2.7 (2.7)	2.6 (2.6)	2.5
Investment (at constant prices), rate of change, %	-1.3	5.2 (5.2)	5.8 (5.8)	5.4 (5.4)	5.2
Exports of goods and services, rate of change, %	0.3	3.5 (3.6)	4.0 (4.2)	4.0 (4.2)	4.0
Unemployment rate (acc. to Labour Force Survey methodology), %	7.1	7.0 (7.1)	6.8 (6.8)	6.5 (6.5)	6.3
Average gross monthly earnings, rate of change, %	10.2	8.4 (7.9)	6.8 (6.8)	5.7 (5.7)	5.7
Number of employed persons (acc. to Labour Force Survey methodology), rate of change, %	1.6	0.3 (0.3)	0.2 (0.1)	0.0 (0.0)	-0.1

Sources: Ministry of Finance, State Data Agency.

An estimate of a relevant indicator of the economic development scenario of December 2024 is presented in brackets.