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General Government Financial Projection for 2026–2029

October 2026

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General Government Financial Projection for 2026–2029 (hereinafter – the Projection) is based on operational data on execution of budgets attributed to general government received by 15 October 2026, on the Economic Development Scenario[1] (hereinafter – EDS) prepared by the Ministry of Finance and published in September 2026, on actual data on general government finance (hereinafter – actual data), on other general government financial data projections. The Projection data presented in this report are in line with the draft Law on the Approval of the Budget for 2027–2029, draft Law on the Budgets of State Social Funds and the draft Law on the Approval of Indicators of the Compulsory Health Insurance Fund Budget for 2027 approved by resolutions[2] of the Government of the Republic of Lithuania.

In the medium term, the general government balance is projected to exceed –3 % of GDP and the general government debt not to exceed 60 % of GDP Maastricht criterion. There is an increasing risk of deviation from the limits of net expenditure growth[3]. At the beginning of the medium term, the general government balance deterioration will be cushioned by the increase in general government revenue due to the tax policy changes the decisions on which were made in 2025 and previous years. They, starting from 2027, will mainly increase revenue from personal income tax, excise duty and real estate tax. These tax changes are linked to the necessary changes in expenditure policy, i.e. the need to strengthen the country's defence by allocating at least 5 % of GDP[4]. At the time of drawing up the Projection, there were no new changes to the tax system that would have a permanent impact on the level of revenue in the medium term.

The policy planned to be implemented by the draft budgetary plan for 2027–2029 will lead to rapidly increasing general government expenditure in the following areas: strengthening the country's defence capabilities, social security (increasing the pensions, wages of public sector employees, social support).

Due to expenditure growing faster than revenue, the revenue-expenditure gap will widen leading to an average general government deficit of 4.1 % of GDP in 2027–2029 (Fig. 1).

Over the entire medium term, public finance will be affected by an increasingly prominent phenomenon of an ageing society. Elevated geopolitical uncertainty due to the war in Iran and increased energy prices may trigger the need for additional fiscal policy measures to help the most vulnerable ones.

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[1] The Economic Development Scenario of September 2026, https://finmin.lrv.lt/en/actual-financial-data/economic-development-scenario/.

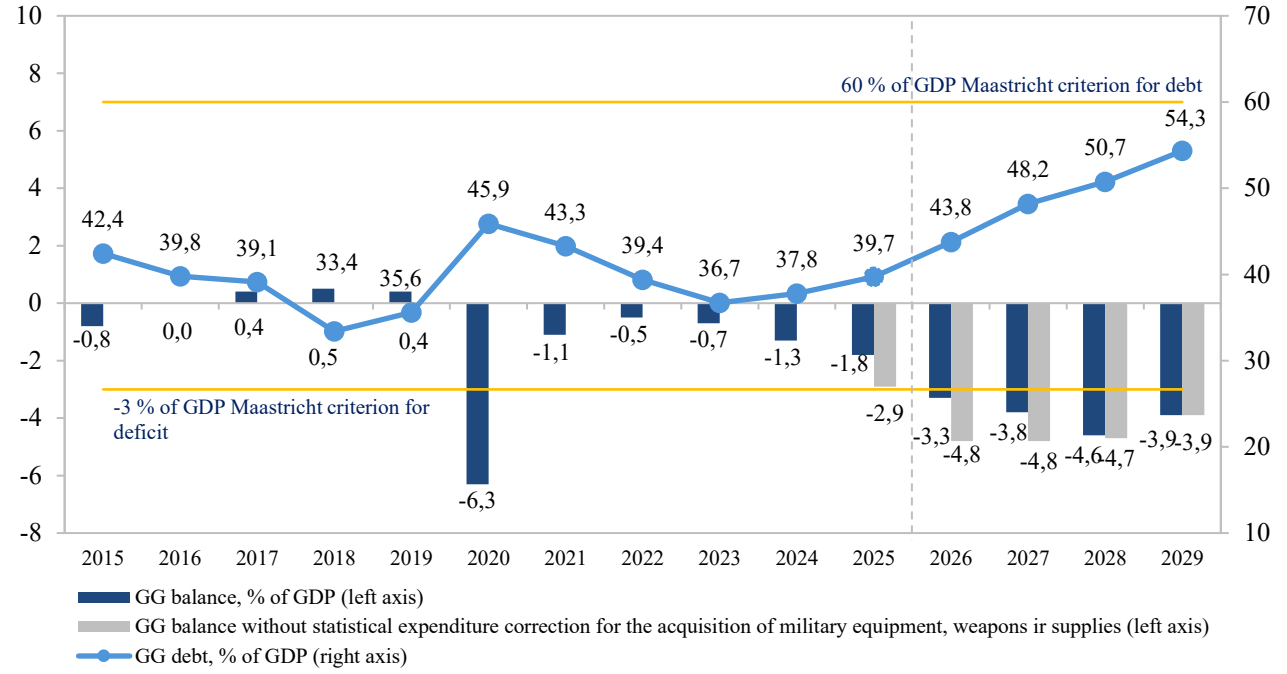
[2] Resolution No 772 of the Government of the Republic of Lithuania of 16 October 2026, https://www.e-tar.lt/portal/lt/legalAct/02676950c93411f1baf5938282b7b257;
Resolution No 773 of the Government of the Republic of Lithuania of 16 October 2026, https://www.e-tar.lt/portal/lt/legalAct/67ef62a2c93411f1baf5938282b7b257;
Resolution No 775 of the Government of the Republic of Lithuania of 16 October 2026, https://www.e-tar.lt/portal/lt/legalAct/bc16a8c2c93411f1baf5938282b7b257.

[3] More precise information is presented in Section II 'Compliance with fiscal obligations' of the draft budgetary plan of Lithuania for 2027 which is in line with this Projection.
Draft budgetary plan of Lithuania for 2027, https://finmin.lrv.lt/public/canonical/1792576408/28152/DBP_2027.pdf.

[4] On cash basis used by NATO.

With the general government deficit basically not decreasing over the entire medium term, the general government debt will grow and exceed the 50 % of GDP threshold, however, will still remain below the 60 % of GDP threshold of the Maastricht criterion (Fig. 1).

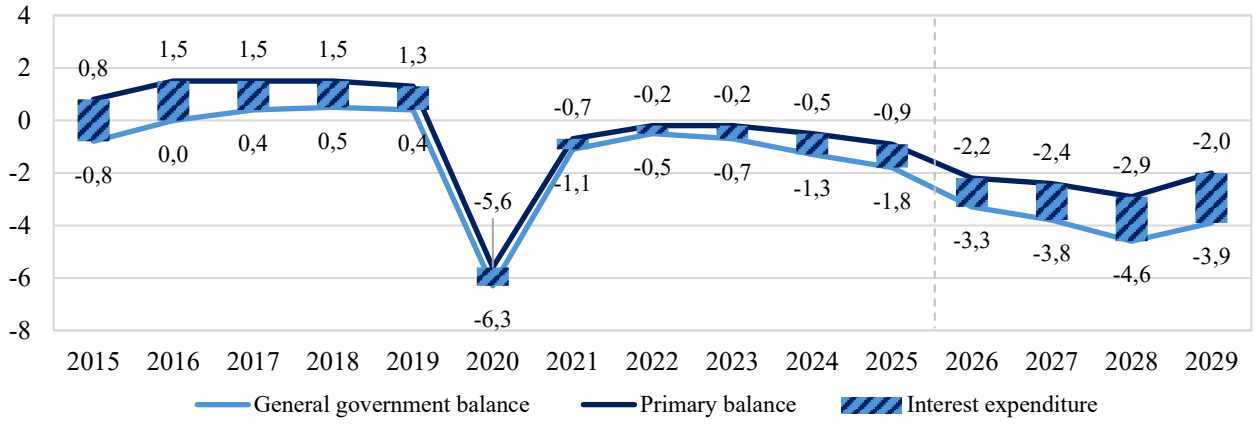
Fig. 1. General government balance and debt in 2015–2029, % of GDP



Sources: State Data Agency, Ministry of Finance.

Debt growth will be driven mainly by the need to finance the general government deficit, interest expenditure growth (Fig. 2) and growing need of public investment and defence funding.

Fig. 2. The primary general government balance and interest expenditure, % of GDP



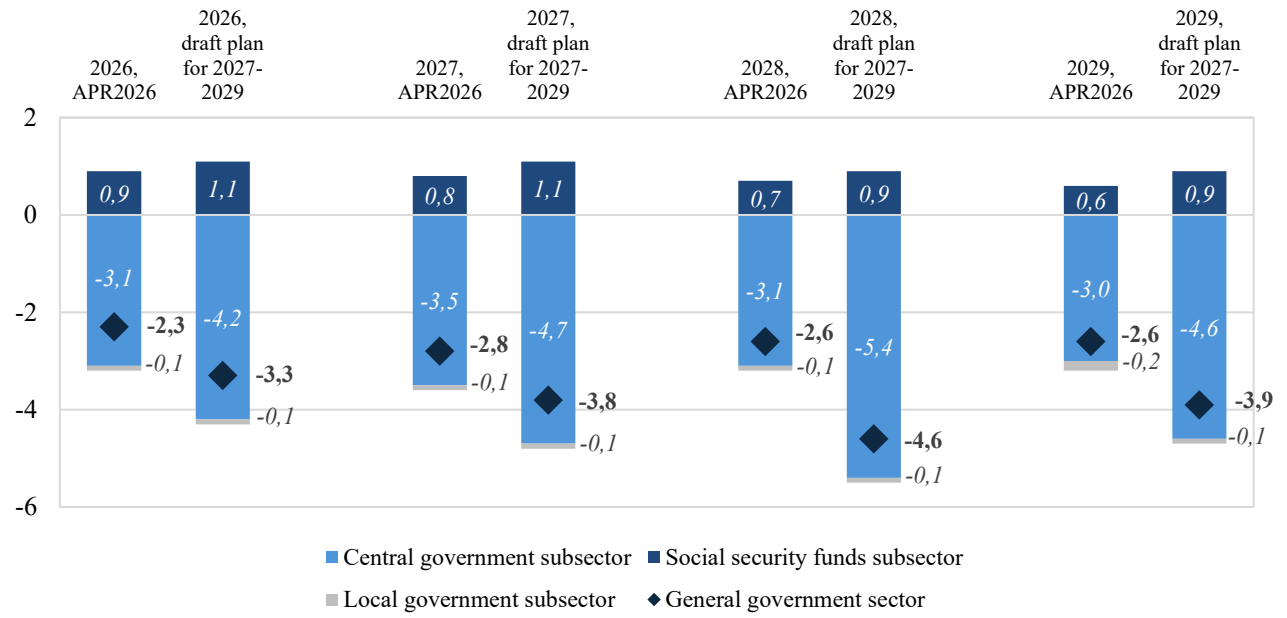
Sources: State Data Agency, Ministry of Finance.
Note. Interest is calculated as the difference between the government balance and the primary balance.

Comparison of the general government balance projection for 2026–2029 with the Projection presented in the Annual Progress Report for 2026

The general government deficit is projected to be higher over the entire period of 2026–2029 than projected in April 2026 when drawing up the Annual Progress Report for 2026[5] (hereinafter – APR2026) (Fig. 3).

[5] Annual Progress Report for 2026, https://finmin.lrv.lt/public/canonical/1777460393/27220/APR2026_LT.pdf.

Fig. 3. Balances of general government and subsectors, % of GDP



Source: Ministry of Finance.

Almost the entire projected general government deficit occurres in the central government subsector (Fig. 3) the deficit of which is partly offset by a surplus of the social security funds subsector. The local government subsector balance will have a negligible but negative impact on the general government balance.

The increase in the medium-term deficit projected in the draft budgetary plan for 2027–2029, compared to that projected in spring 2026 when drawing up the APR2026, was due to the following main factors:

- higher defence spending, the change of which is measured according to the methodology of the European System of Accounts 2010;
- higher general government interest expenditure;
- higher other State budget expenditure planned in the draft budgetary plan, excluding defence spending and interest expenditure, are mainly related to social security.

A surplus of the social security funds subsector is increased by a faster growth of revenue of the budgets of the State Social Funds and the Compulsory Health Insurance Fund projected by Sodra and the National Health Insurance Fund over the entire medium term than expenditure of these budgets (compared to revenue and expenditure projected in the APR2026).

Fiscal position

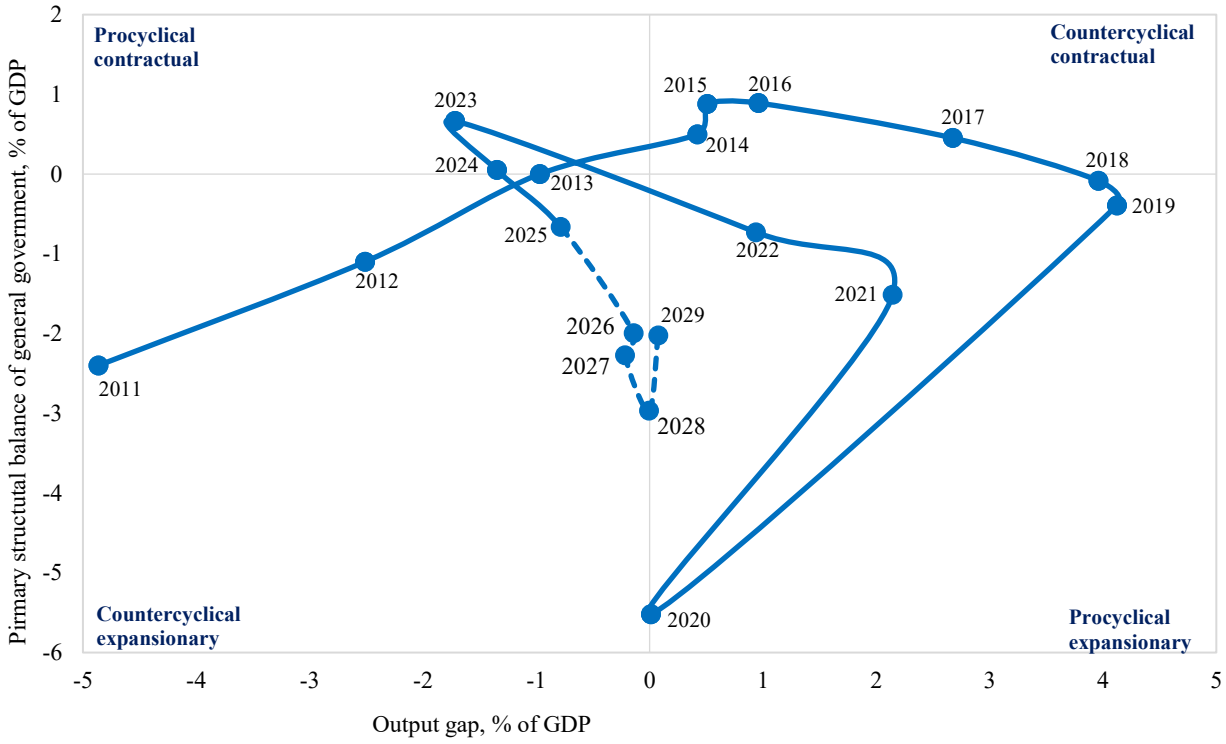
In 2027, when a negative output gap of 0.2 % of GDP is projected, according to the planned draft budgetary plans attributed to the general government and EDS data, the general government structural balance is estimated to be –3.7 % of GDP. Accordingly, the general government structural primary deficit of –2.3 % of GDP demonstrates the planned expansionary – stimulating the economy – fiscal position[6] (Fig. 4).

[6] The fiscal position is an indicator of the impact of fiscal policy on the economy. It is measured by the structural primary budget balance (i.e. the structural budget balance without interest expenditure). In the case of a positive structural primary balance, the fiscal position is considered unstimulating for the economy and in the case of a negative balance – stimulating for the economy.

In 2028–2029 structural primary general government deficit, mainly due to a non-decreasing nominal general government deficit, would not decrease and represent on average about –2.5 percentage points of GDP.

The EDS projects that there will be no more output gap in 2028 (the gap will be equal to 0), while in 2029 it will be positive, representing 0.1 % of GDP.

Fig. 4. Fiscal position



Source – Ministry of Finance.

Risks that may affect the general government financial projection

In the context of elevated uncertainty about the impact of geopolitical situation on the economy, as well as other downside risks to the general government financial position with a high probability of materialisation, the projections for the general government balance, revenue and expenditure may change in 2026–2029. The following fiscal risks with a high probability of materialisation are currently anticipated: possible fiscal measures linked to high energy prices; the impact of the change in the statistical correction for the acquisition of weapons and military equipment on the level of expenditure (on accrual basis); taking into account the political cycle, new long-term commitments of the State are made, without foreseeing new sustainable sources of revenue for their fulfilment; the realisation of the drawing rights provided for in the draft Law on the Approval of the Budget for 2027–2029; worse Compulsory Health Insurance Fund budget balance; failure to collect projected revenue from administrative improvements; statistical reclassification of public-private partnership projects. A detailed assessment of fiscal risks that may materialise in 2026–2029 is provided in the Fiscal Risks Overview for 2026[7] prepared by the Ministry of Finance.

[7] Fiscal Risks Overview, 2026, https://finmin.lrv.lt/en/competence-areas/fiscal-governance/analyses-of-public-finance/fiscal-risks-overview/.

Table 1. Key general government financial indicators

			2025		2026		2027		2028		2029	
	Revenue	ESA code	MEUR	% of GDP	MEUR	% of GDP	MEUR	% of GDP	MEUR	% of GDP	MEUR	% of GDP
1	Taxes on production and imports	D.2	10,011.3	11.9	10,931.6	12.0	11,720.2	12.1	12,048.8	11.8	12,760.4	11.9
2	Current taxes on income, wealth and other taxes	D.5	9,020.8	10.7	9,865.5	10.8	10,881.7	11.3	11,484.5	11.2	12,500.6	11.6
3	Social contributions	D.61	9,577.3	11.4	10,372.8	11.3	11,322.8	11.7	12,088.3	11.8	12,664.5	11.8
4	Other current revenue	(P.11 + P.12 + P.131) + D.39 + D.4 + D.7	4,023.9	4.8	4,608.2	5.0	4,376.1	4.5	4,576.8	4.5	4,542.2	4.2
5	Capital taxes	D.91	4.1	0.0	4.0	0.0	101.0	0.1	69.0	0.1	71.5	0.1
6	Other capital revenue	D.92 + D.99	857.5	1.0	1,057.5	1.2	1,009.6	1.0	1,051.5	1.0	1,043.0	1.0
7	Total revenue (= 1 + 2 + 3 + 4 + 5 + 6)	TR	33,494.8	39.8	36,839.7	40.3	39,411.4	40.8	41,318.8	40.5	43,582.3	40.5
8	O/w: transfers from EU	D.7EU + D.9EU	1,270.7	1.5	1,758.5	1.9	1,349.2	1.4	1,265.3	1.2	1,000.3	0.9
9	Total revenue, excl. transfers from EU (= 7 – 8)		32,224.1	38.2	35,081.2	38.4	38,062.2	39.4	40,053.5	39.2	42,581.9	39.6
	Expenditure											
10	Compensation of employees	D.1	10,257.9	12.2	11,091.7	12.1	11,910.4	12.3	12,218.2	12.0	12,580.5	11.7
11	Intermediate consumption	P.2	3,792.1	4.5	4,369.8	4.8	5,021.3	5.2	5,256.9	5.1	5,380.5	5.0
12	Interest expenditure	D.41	769.9	0.9	1,029.3	1.1	1,385.1	1.4	1,686.3	1.7	2,035.6	1.9
13	Social benefits other than social transfers in kind	D.62	11,710.6	13.9	13,024.6	14.2	14,301.1	14.8	15,474.6	15.2	16,485.3	15.3
14	Social transfers in kind via market producers	D.632	2,005.5	2.4	2,171.6	2.4	2,341.9	2.4	2,530.6	2.5	2,617.1	2.4
15	Subsidies	D.3	228.0	0.3	223.3	0.2	241.7	0.3	230.9	0.2	235.5	0.2
16	Other current expenditure	D.29 + (D.4 – D.41) + D.5 + D.7 + D.8	1,827.1	2.2	2,148.2	2.3	1,982.1	2.1	2,033.0	2.0	2,079.2	1.9
17	Gross fixed capital formation	P.51	3,757.0	4.5	5,061.6	5.5	5,098.7	5.3	5,765.3	5.6	5,674.7	5.3
18	O/w: nationally financed public investment		2,908.8	3.5	3,807.2	4.2	4,203.9	4.4	4,926.7	4.8	5,072.5	4.7
19	Capital transfers	D.9	529.4	0.6	583.1	0.6	672.6	0.7	686.1	0.7	573.5	0.5
20	Other capital expenditure	P.52 + P.53 + NP	115.6	0.1	133.7	0.1	123.4	0.1	126.5	0.1	129.4	0.1
21	Total expenditure (= 10 + 11 + 12 + 13 + 14 + 15 + 16 + 17 + 19 + 20)	TE	34,993.1	41.5	39,836.8	43.6	43,078.1	44.6	46,008.5	45.1	47,791.3	44.4
22	O/w: expenditure financed from transfers from EU (= 8)	D.7EU + D.9EU	1,270.7	1.5	1,758.5	1.9	1,349.2	1.4	1,265.3	1.2	1,000.3	0.9
23	Nationally financed expenditure (= 21 – 22)		33,722.4	40.0	38,078.3	41.7	41,728.9	43.2	44,743.3	43.8	46,791.0	43.5
	Balance											
24	Net lending (+) / borrowing (–) (= 7 – 21)	B.9	–1,498.2	–1.8	–2,997.1	–3.3	–3,666.7	–3.8	–4,689.7	–4.6	–4,209.1	–3.9
25	Primary balance (= 24 + 12)	B.9-D.41p	–728.3	–0.9	–1,967.9	–2.2	–2,281.6	–2.4	–3,003.4	–2.9	–2,173.5	–2.0
	Cyclical adjustment											
26	Structural balance			–1.6		–3.1		–3.7		–4.6		–3.9
27	Structural primary balance			–0.7		–2.0		–2.3		–3.0		–2.0
	Debt											
28	General government debt		33,455	39.7	40,018	43.8	46,507	48.2	51,812	50.7	58,488	54.3
29	Change in general government debt		3,332	1.6	6,563	4.1	6,489	4.4	5,306	2.6	6,676	3.6
	GDP											
30	GDP		84,258		91,421		96,533		102,119		107,635	

Source: Ministry of Finance.

Note. Due to rounding, total amounts may not match the detailed data.