

LITHUANIA



HIGHLIGHTS

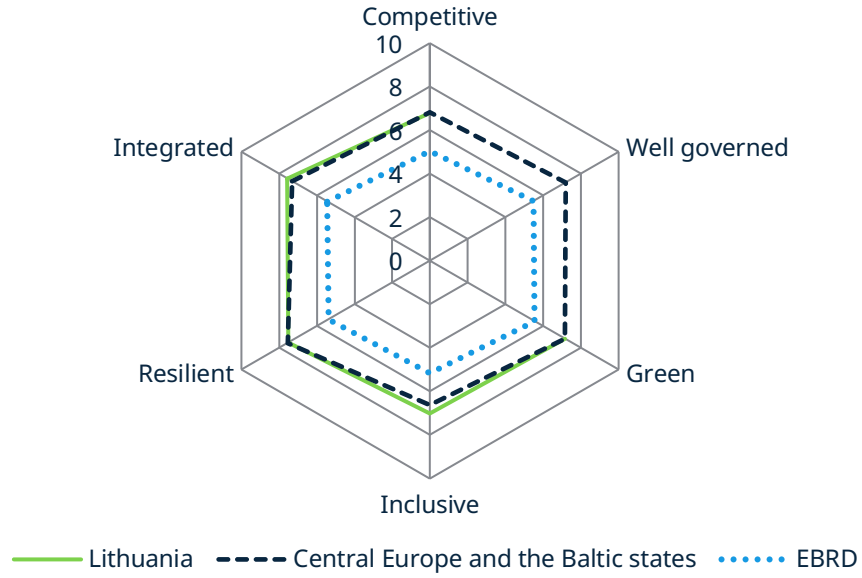
- **Growth strengthened as manufacturing expanded and household spending was boosted by pension withdrawals**. Real gross domestic product (GDP) grew by 3.0 per cent in 2025 and 3.3 per cent year on year in the first half of 2026, supported by stronger manufacturing and household spending. Inflation stood at an estimated 6.1 per cent in October 2026, one of the highest in the European Union (EU), mostly driven by higher fuel and heating prices.
- **Defence commitments have reshaped Lithuania's medium-term fiscal path**. The 2026 budget allocated 5.4 per cent of projected GDP to defence, while Lithuania signed a European defence loan agreement in May 2026.
- **Reform prompted large withdrawals from the country's funded second-pillar pension**. Participation became voluntary in January 2026 and by June 2026 more than 500,000 people had withdrawn over €3 billion.

For more information about country macroeconomic developments, please consult our latest Regional Economic Prospects report.

KEY PRIORITIES FOR 2027

- **Broaden the revenue base and tighten spending to preserve fiscal sustainability.** Gross debt is projected to rise from 44.9 per cent of GDP in 2026 to 55.7 per cent in 2029. Better tax compliance and fewer inefficient special tax regimes would preserve fiscal space for defence and public services.
- **Rebuild long-term savings and deepen domestic capital markets.** Preserving state contributions to the second-pillar pension would support its near-term stability. Broader access to market finance would expand funding options for smaller firms and reduce reliance on bank lending.
- **Focus on strengthening grid capacity and connection access to deploy more renewable energy.** The second offshore wind tender failed after attracting only one applicant, leaving the designated 700 MW site without a developer. Adequate network capacity would strengthen energy security and reduce dependence on electricity imports.

ASSESSMENT OF TRANSITION QUALITIES (1-10)



For more on reforms and transition qualities, see Chapter 5 of the Transition Report 2026-27.

KEY REFORMS AND POLICY DEVELOPMENTS[1]

2026 budget and defence spending

- Lithuania's parliament, the Seimas, approved the 2026 budget in December 2025, allocating 5.4 per cent of projected GDP to defence.
- Lithuania signed a €6.38 billion Security Action for Europe (SAFE) loan agreement in May 2026 and received a €956 million advance in June 2026 for defence procurement and infrastructure.

Second-pillar pension reform

- The reform made second-pillar participation voluntary from January 2026 and opened an exit window until December 2027.

1 From the fourth quarter of 2025 to October 2026.

- More than 500,000 participants had withdrawn over €3 billion by June 2026, equivalent to about 3 per cent of GDP.

National development bank

- The government approved a €412 million capital increase for Lithuania's national development bank, ILTE, in January 2026, bringing the bank's authorised capital to €800 million through staged injections by 2028.
- In June 2026 the parliament adopted legal changes enabling ILTE to conduct balance-sheet activities using its own or borrowed funds from January 2027, alongside mandated activities financed from public and EU funds.

Offshore wind tender

- Lithuania's energy regulator declared the tender for a 700 MW offshore wind farm invalid in October 2025 after receiving only one application.
- Lithuanian law requires at least two applicants and the decision on whether to relaunch the tender rests with the government.

Rail Baltica (Kaunas-Vilnius section)

- The government approved the special plan for the Kaunas-Vilnius section of the Rail Baltica project in April 2026 and initiated land acquisition procedures in the Kaunas and Jonava districts.
- The plan allows project implementation to continue once funding is secured, while several land acquisition procedures outside the Kaunas and Jonava districts are due to begin in 2030.

Public broadcaster reform

- The president signed legislative amendments in June 2026 that expanded the council of Lithuanian National Radio and Television, LRT, from 12 to 15 members, created a management board and narrowed the grounds for dismissing the director general.
- The Venice Commission, the Council of Europe's advisory body on constitutional matters, welcomed several improvements to the draft law, but retained concerns over the political composition of the LRT council and the application of the revised dismissal rules to the serving director general.