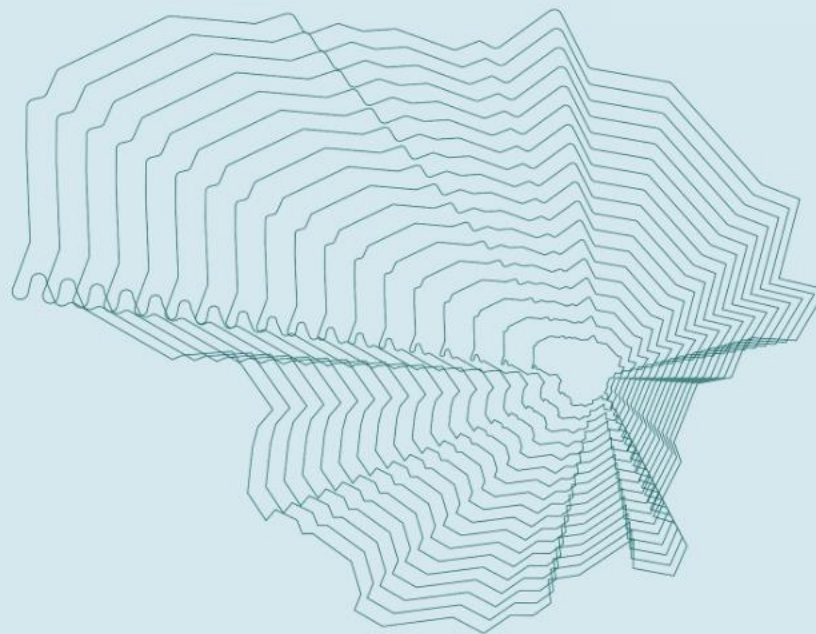


LITHUANIAN ECONOMIC REVIEW AND PROJECTIONS



Resilient today but resilience
reserves are not limitless

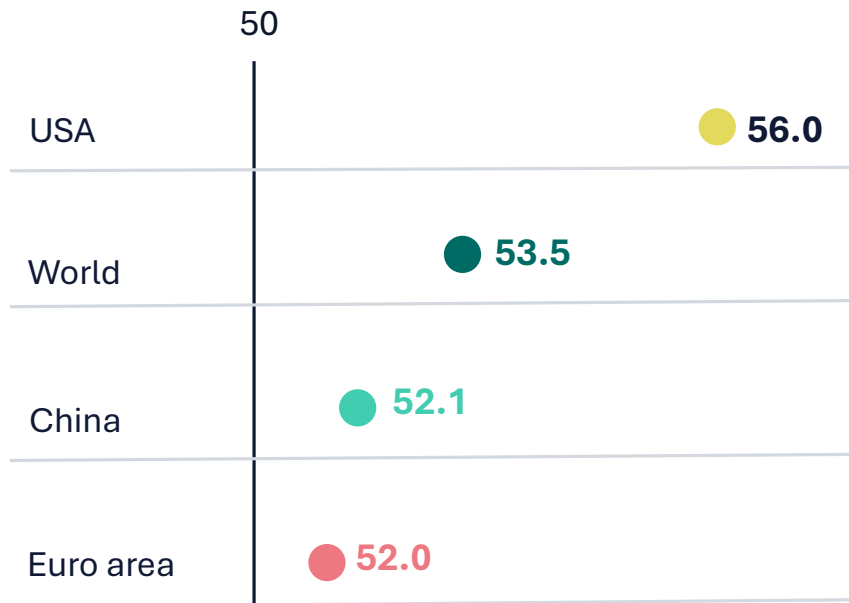
15 September 2026

Chair of the Board of Lietuvos bankas **Gediminas Šimkus**

Global economy: many challenges, growth continues

Purchasing Managers' Indices (PMIs) of major economies

August 2026, total economy

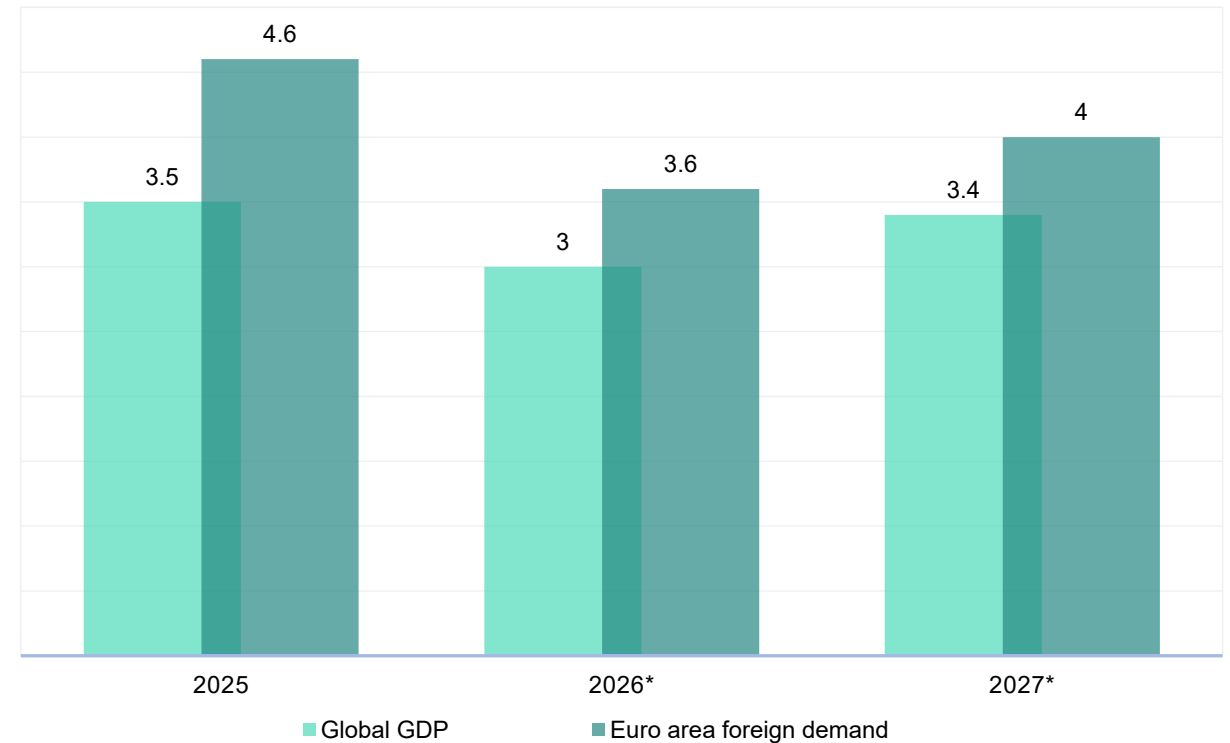


PMI: above 50, signalling expansion.

Source: Refinitiv Datastream.

Development of global GDP and euro area foreign demand

Annual percentage change



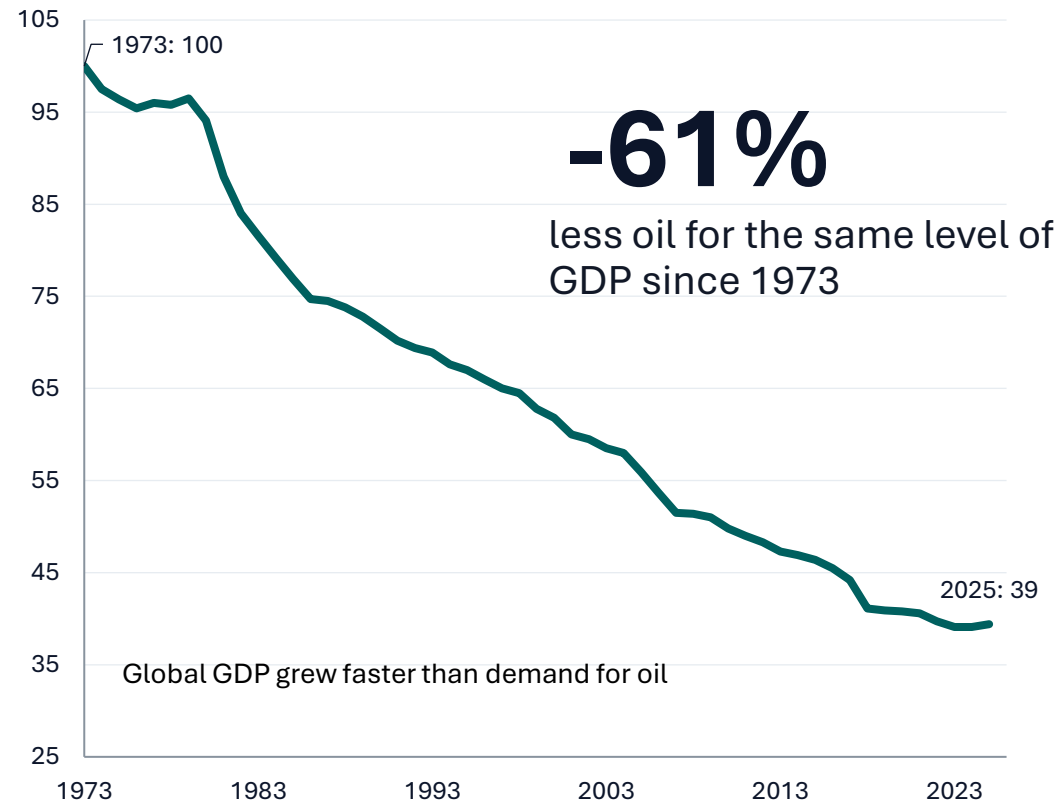
Sources: IMF and ECB.

* Projection.

What helped to avoid a more severe economic shock?

Global economy became less dependent on oil

Oil consumption to global GDP ratio (1973 = 100)



Sources: Energy Institute, World Bank WDI and Lietuvos bankas calculations.

Mitigating factors of the oil price shock

1. Global economy becoming less energy-intensive

The EU is no exception, with its energy intensity falling steadily.

2. Increased oil production outside the Persian Gulf

Other oil-producing countries increased their production volumes.

3. Alternative sources of energy

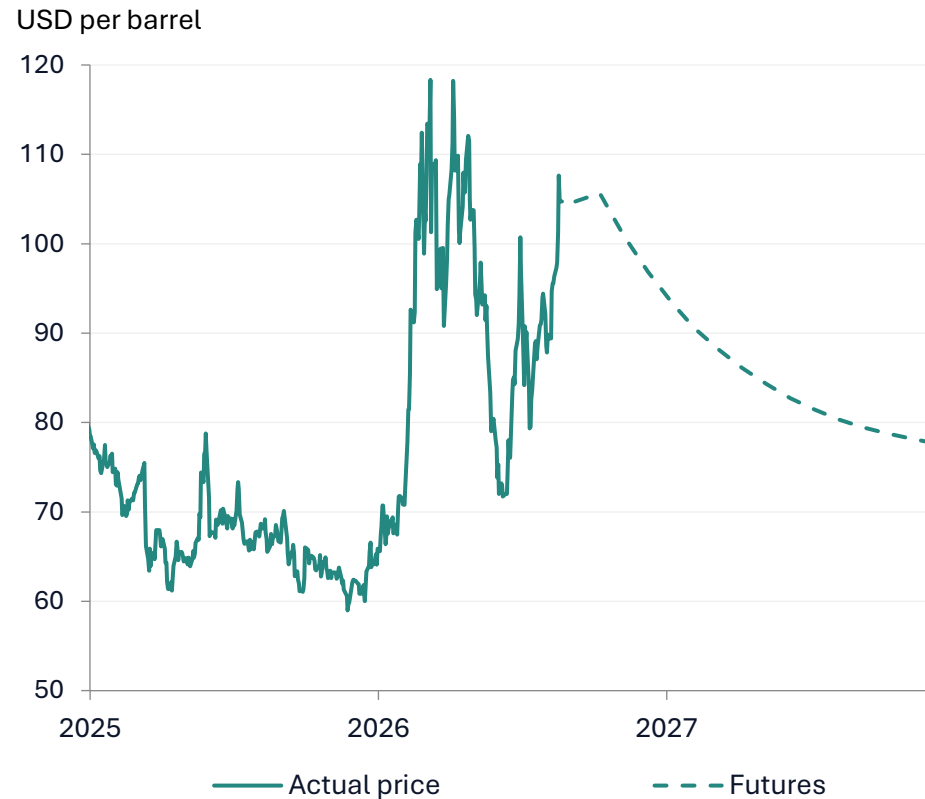
Some economies adapted by making greater use of coal and renewable energy.

4. Use of reserves

At the start of the conflict in the Middle East, oil reserves were at their highest level in five years.

Risks persist: Situation in the commodities markets remains unstable

Price of Brent crude oil and futures



Source: LSEG.

Note: Data as of 15 September.

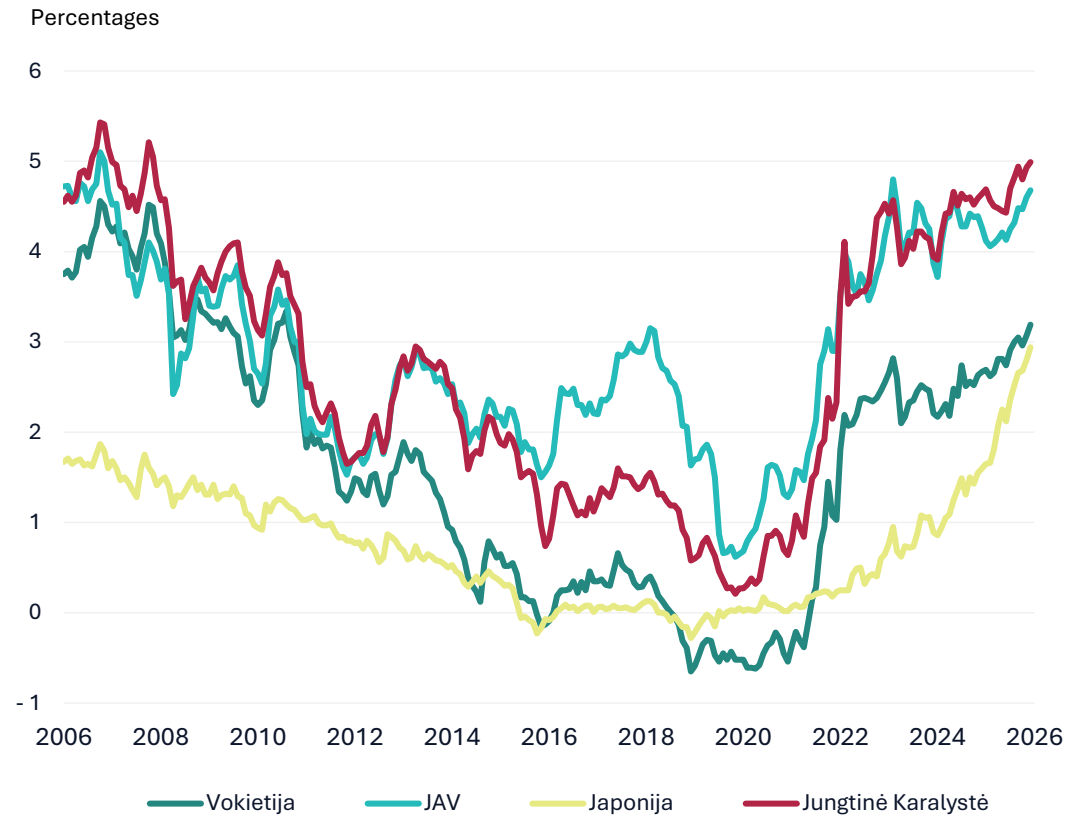
TTF type gas price and futures



Source: LSEG.

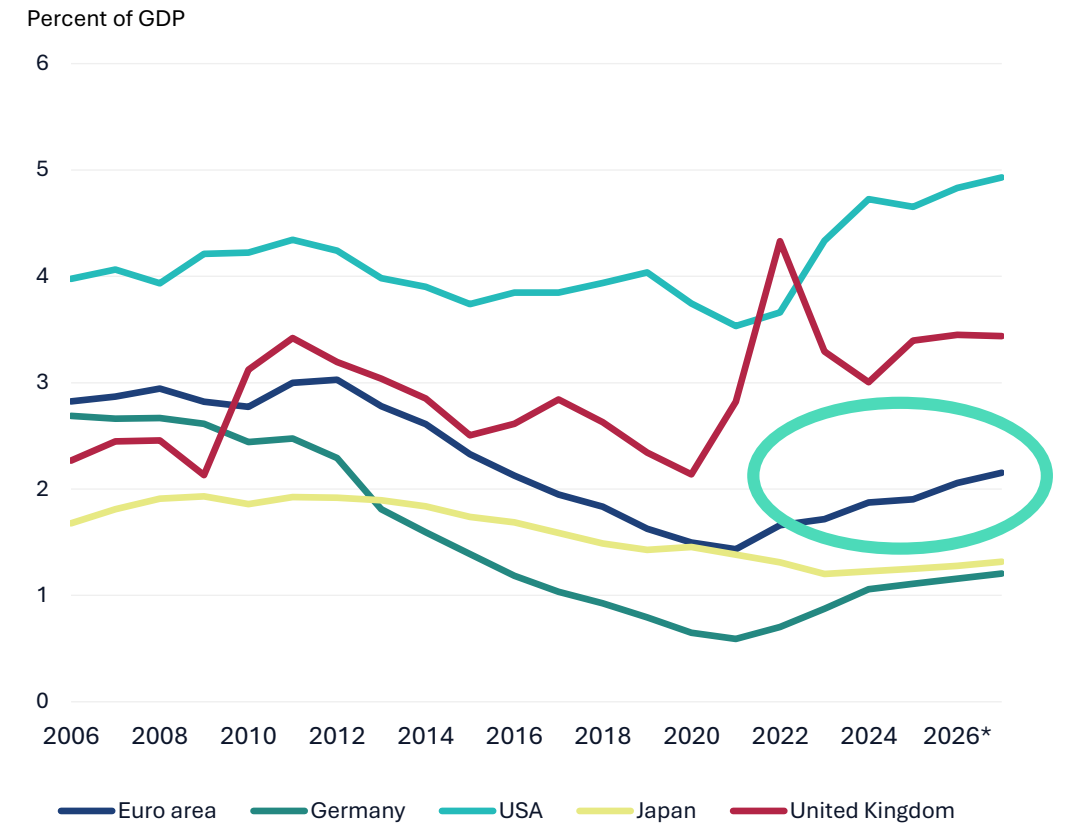
Higher debt costs – less room to absorb the next shock

10-year government bond yield



Source: LSEG.

Interest payments on government debt



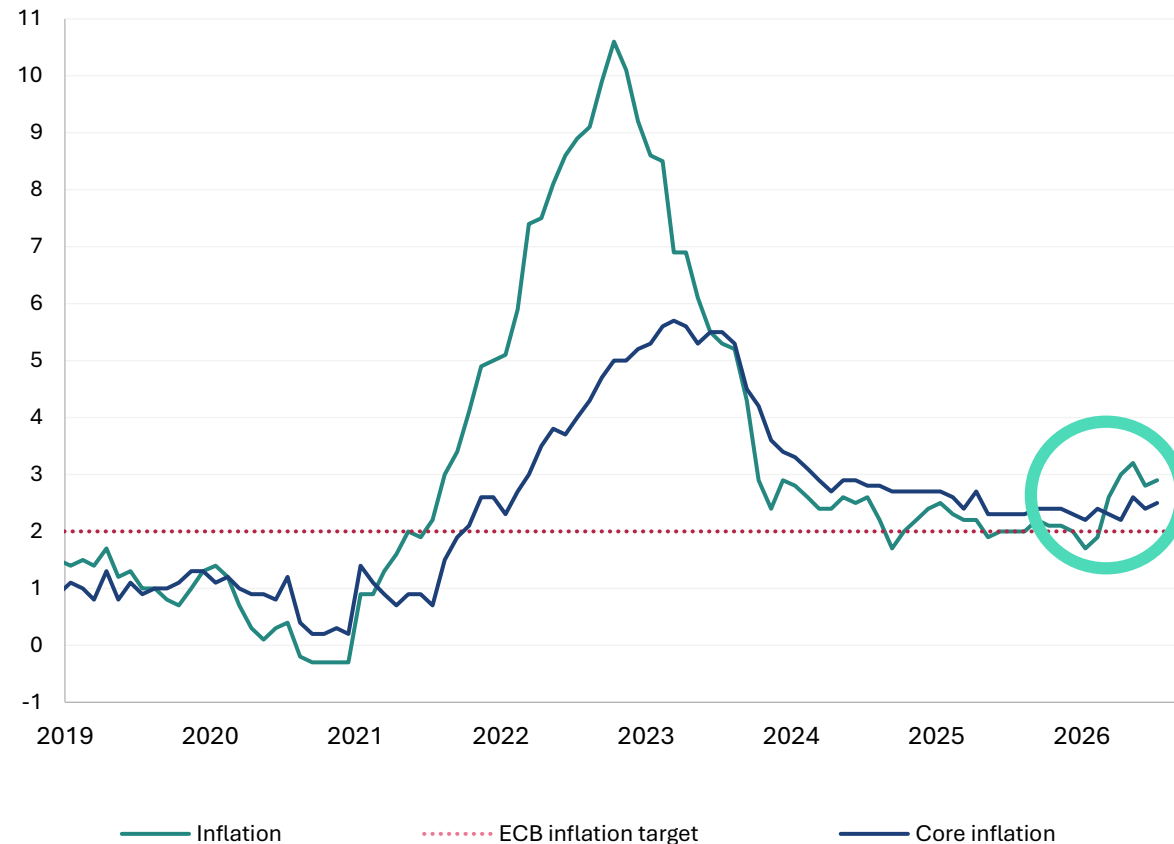
Source: AMECO database.

* Projection.

Energy shock accelerated price rises in the euro area

Inflation developments in the euro area

Percentages



Source: ECB.

ECB September projections for the euro area

	2026	2027	2028
Real GDP (%, annual change)	0.9 (+0.1)	1.4 (+0.2)	1.5 (-)
Inflation (%, HICP annual change)	3.0 (-)	2.5 (+0.2)	2.1 (+0.1)
Inflation, excluding energy and food (%, HICP annual change)	2.5 (-)	2.6 (+0.1)	2.3 (+0.1)

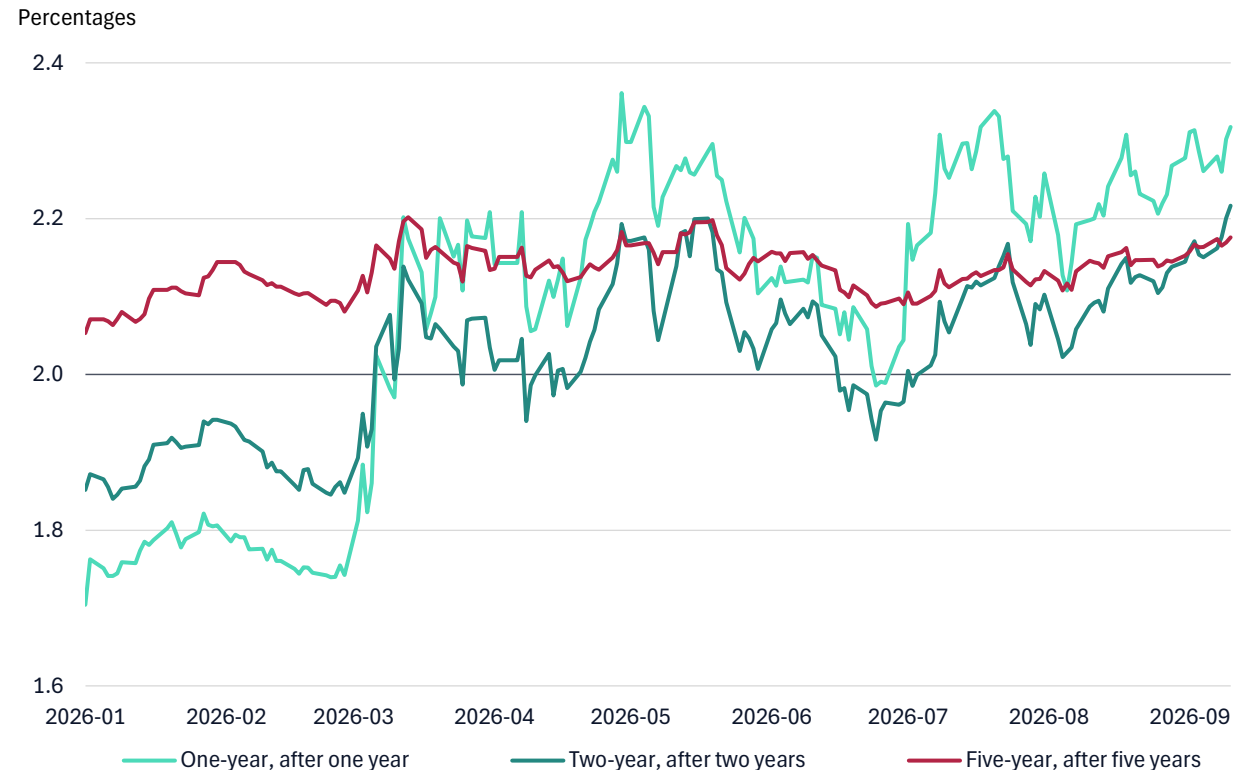
Note: Revised projections in brackets, compared to June projections.
Source: ECB.

Interest rates raised by 25 basis points

- **In view** of the continued inflationary pressures stemming from the conflict in the Middle East, the Governing Council of the ECB decided to raise interest rates by 25 basis points on 10 September.
- **Key deposit facility** rate reached 2.5%.
- **The decision will help to ensure** that inflation stabilises at the 2% target in the medium term.

Short-term inflation expectations remain elevated

Inflation expectations of financial markets for the euro area



Source: LSEG.

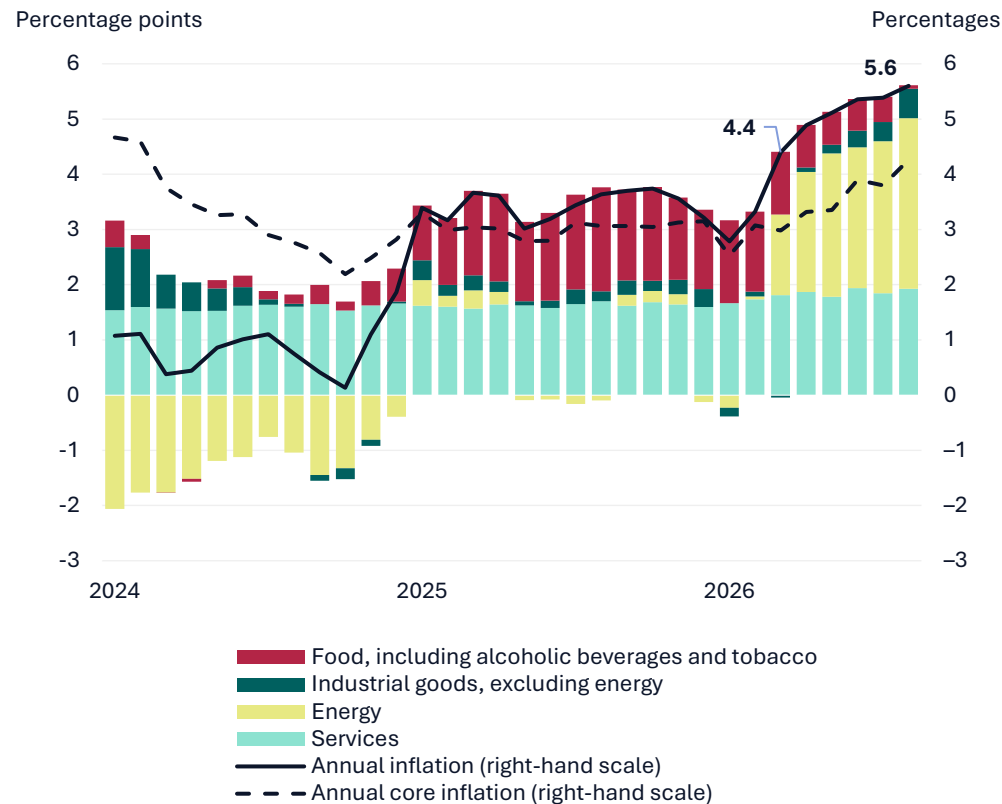
**INFLATION IS
STILL TAKING
ITS TOLL BUT
THE PRESSURE
WILL EASE**



Annual inflation accelerated

Energy accounts for almost half of the price growth

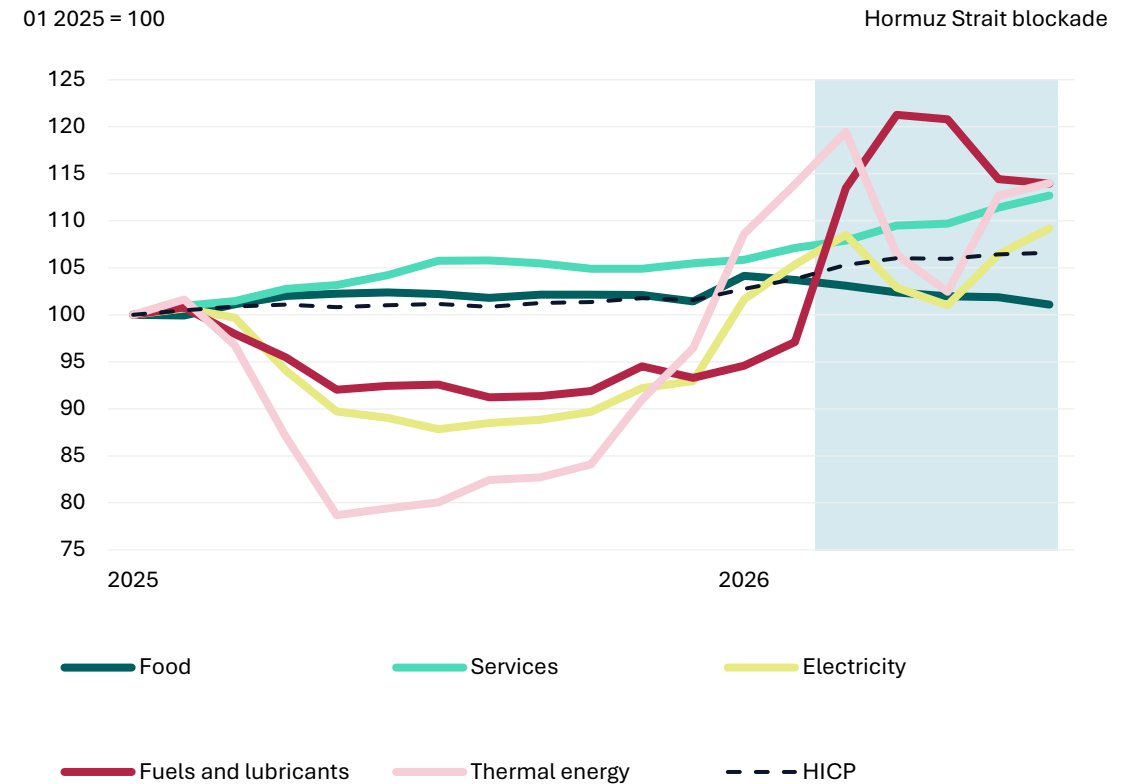
Annual inflation and contributions



Sources: State Data Agency and Lietuvos bankas calculations.

Fuel and heating saw the biggest price rises, food prices stabilised

Annual growth rate of inflation and its selected components

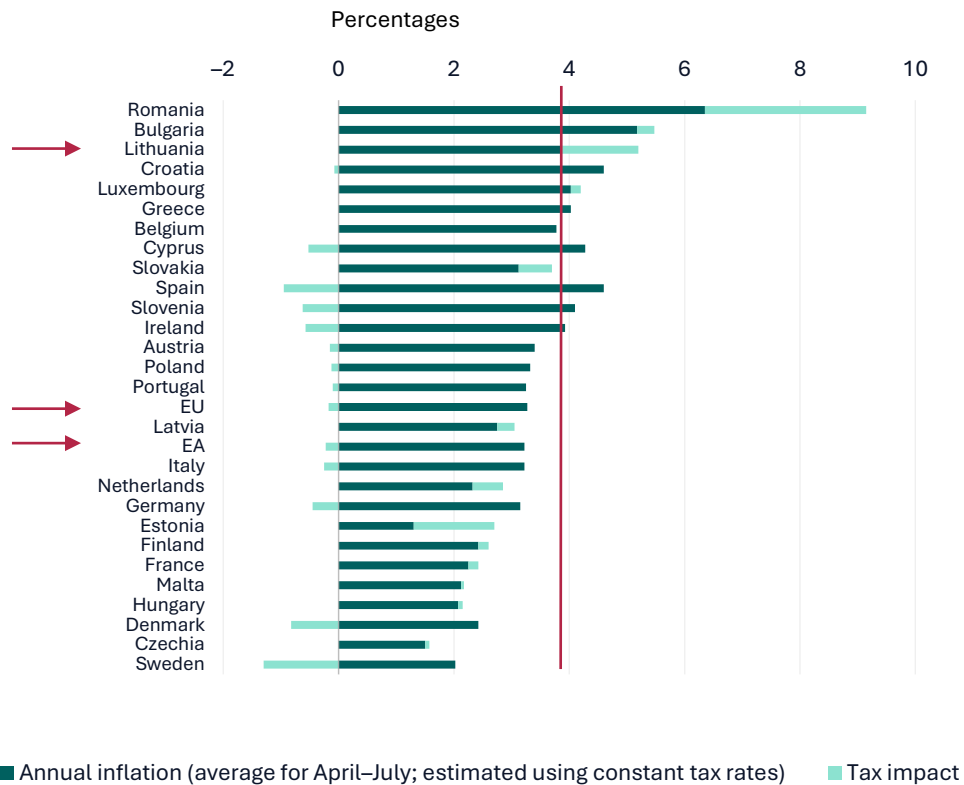


Sources: Eurostat and Lietuvos bankas calculations.

Tax changes: more sustainable public finances but higher inflation

Excluding the impact of tax changes, inflation would be closer to the EU average

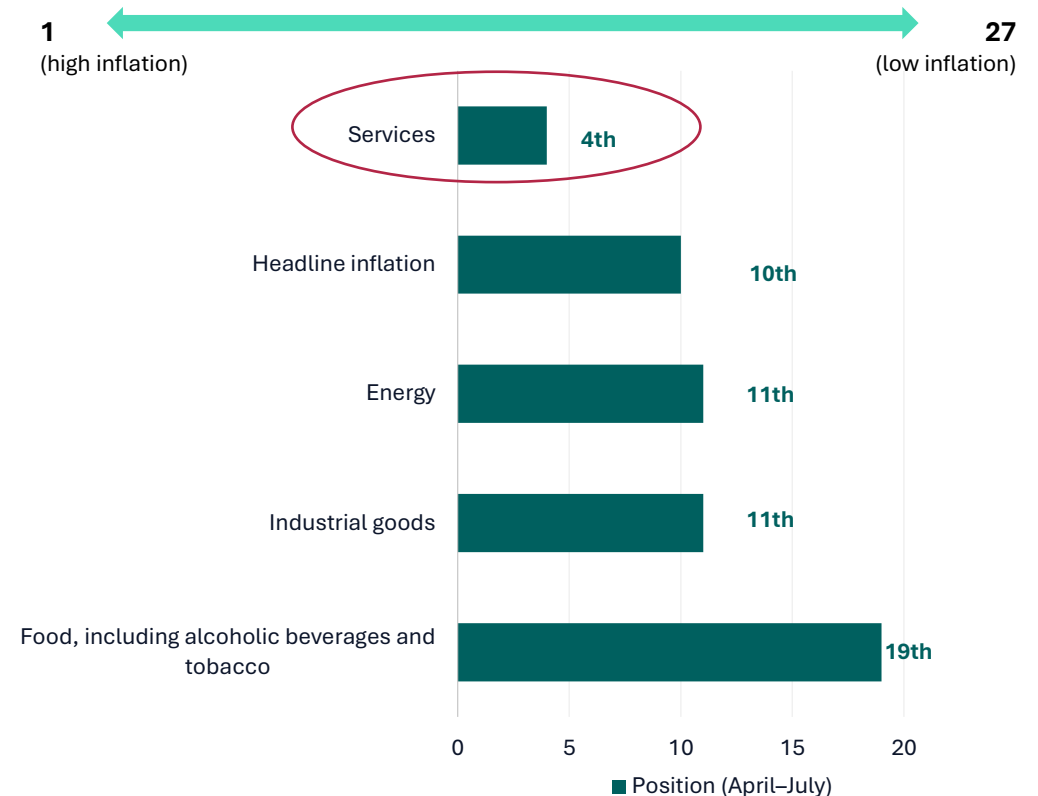
Headline inflation and the impact of tax changes



Sources: Eurostat and Lietuvos bankas calculations.

Lithuania stands out most for the rise in service prices

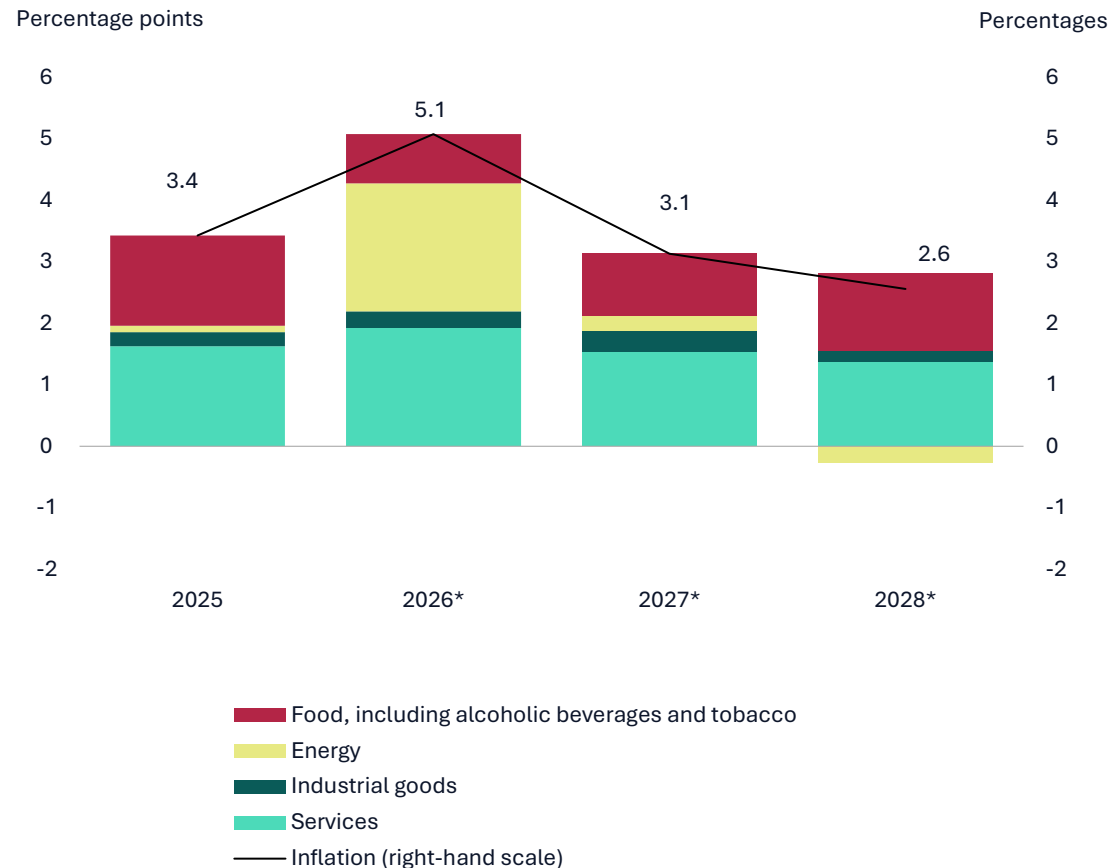
Lithuania's position among the EU countries in terms of price growth (estimated using constant tax rates)



Sources: Eurostat and Lietuvos bankas calculations.

Price growth is set to slow but risks will persist

Actual and projected inflation and contributions



Sources: Eurostat and Lietuvos bankas calculations.

* Projection.

Factors that will slow inflation:

- Falling energy prices
- Weaker impact of tax changes
- Slightly slower wage growth

Risks:

- Tensions in gas and oil markets
- Rising prices for producer goods and imported goods

Purchasing power is growing but price shocks remain fresh in memory

Wages will outpace prices

Wage growth and inflation projection

Annual percentage change



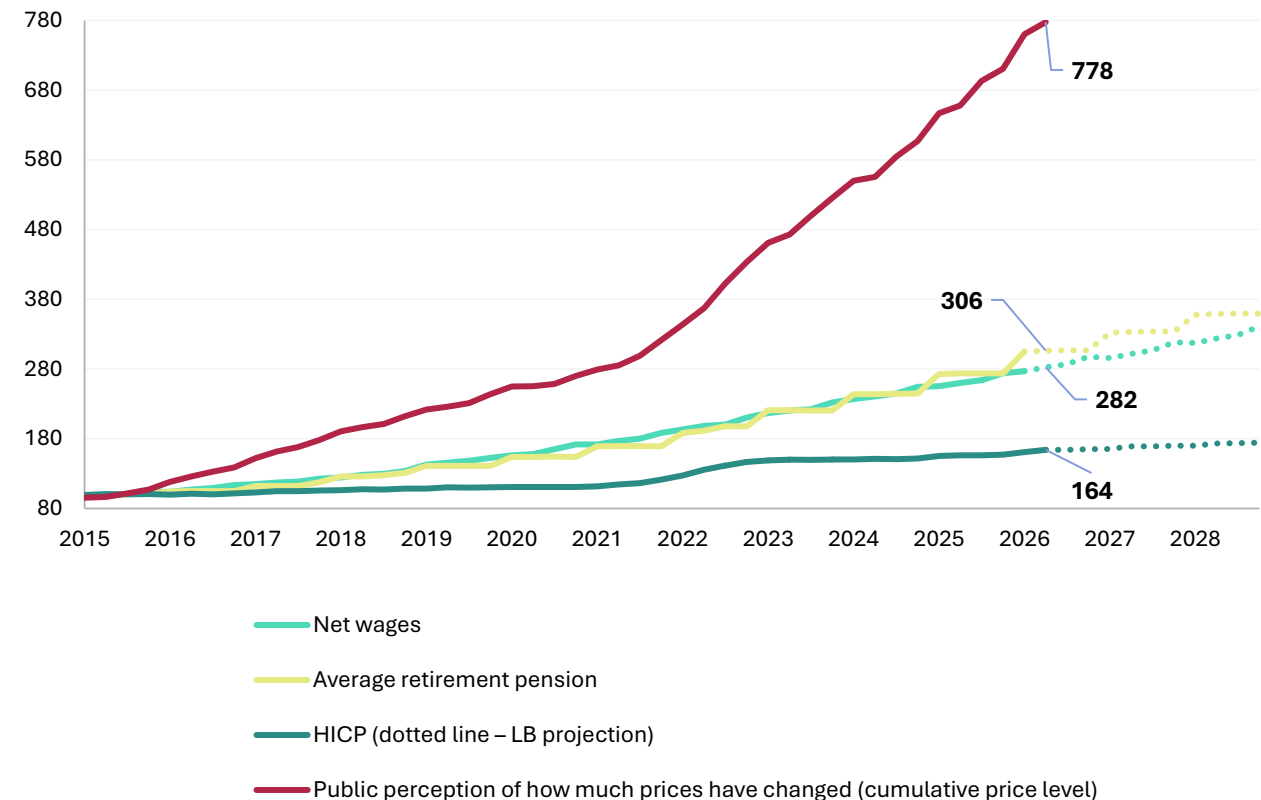
Sources: ECB, Eurostat, State Data Agency and Lietuvos bankas calculations.

*Projection.

Inflation affects everyone – we all feel it acutely

HICP and comparative indicators

Index value, 2015 = 100



Sources: State Data Agency, Ministry of Finance, State Social Insurance Fund and Lietuvos bankas calculations.

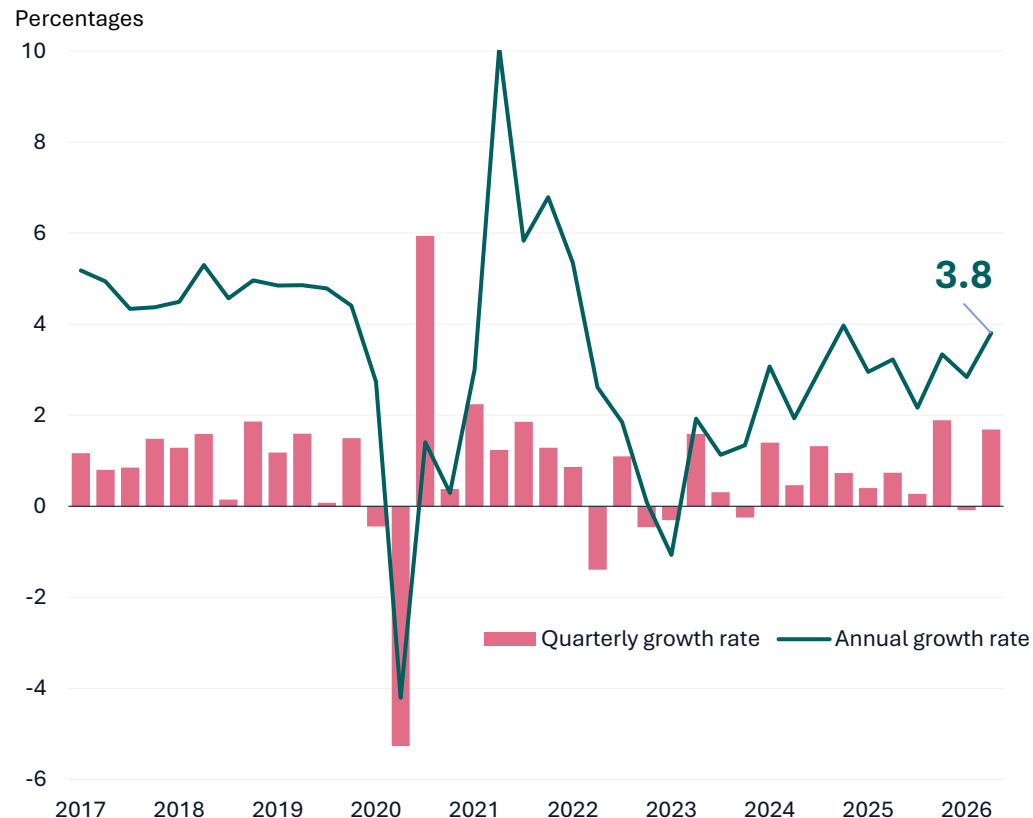


**DESPITE THE
PRICE SHOCK,
ECONOMIC
DEVELOPMENT
WILL REMAIN
STABLE**

Economic growth has picked up again

Annual growth in the second quarter was the fastest in one and a half years

GDP development (at constant prices)

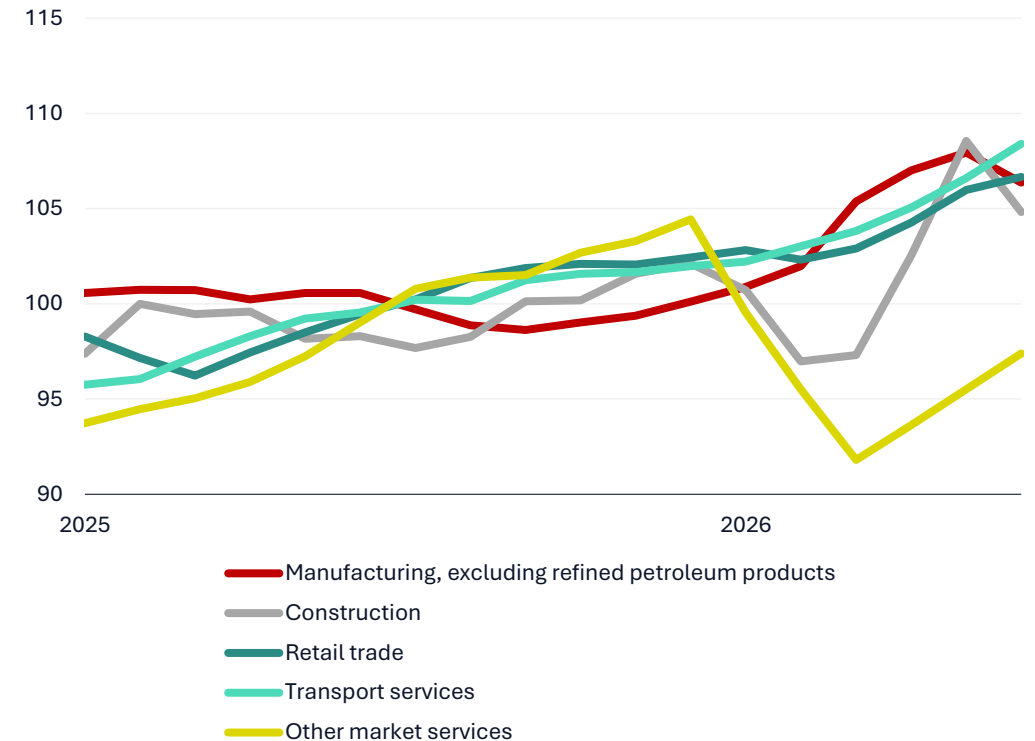


Sources: State Data Agency and Lietuvos bankas calculations.

Activity increased in many key sectors

Sales developments for selected economic activities in Lithuania (at constant prices)

2025 average = 100, at constant prices and adjusted for seasonal and workday effects, 3-month moving averages



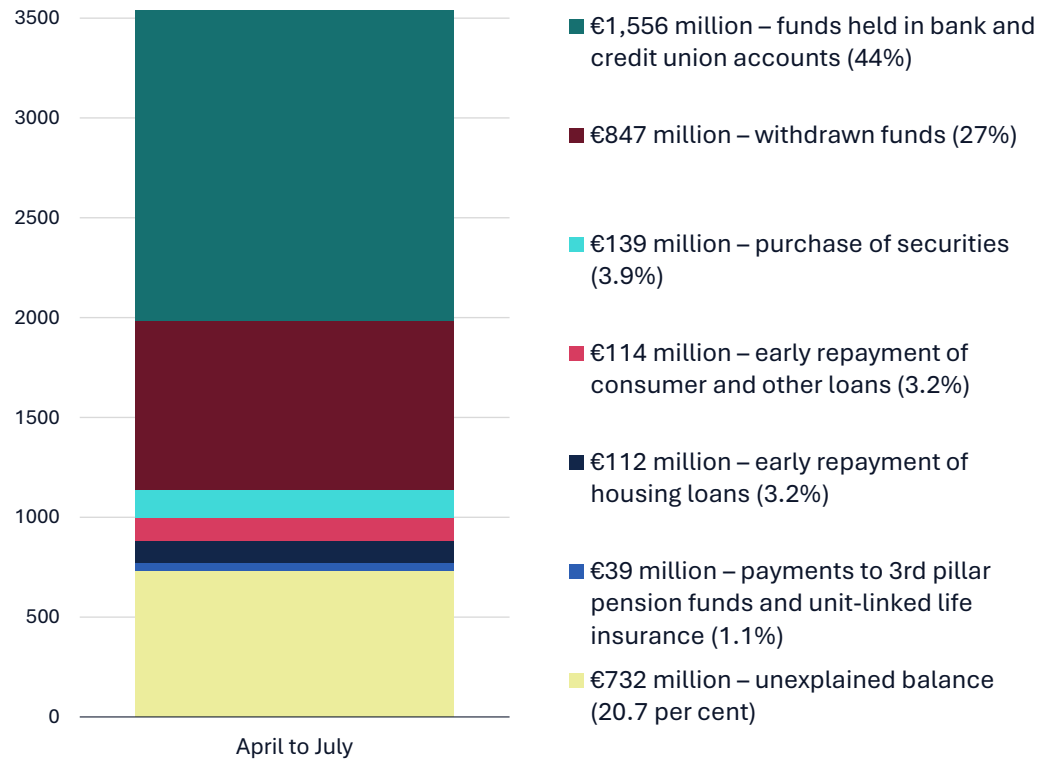
Sources: State Data Agency and Lietuvos bankas calculations.

Some of the funds withdrawn from the 2nd pillar remain in deposits

€3.5 billion paid to households

Funds paid out to residents from the 2nd pension pillar

EUR millions



Sources: State Data Agency and Lietuvos bankas calculations.

44%

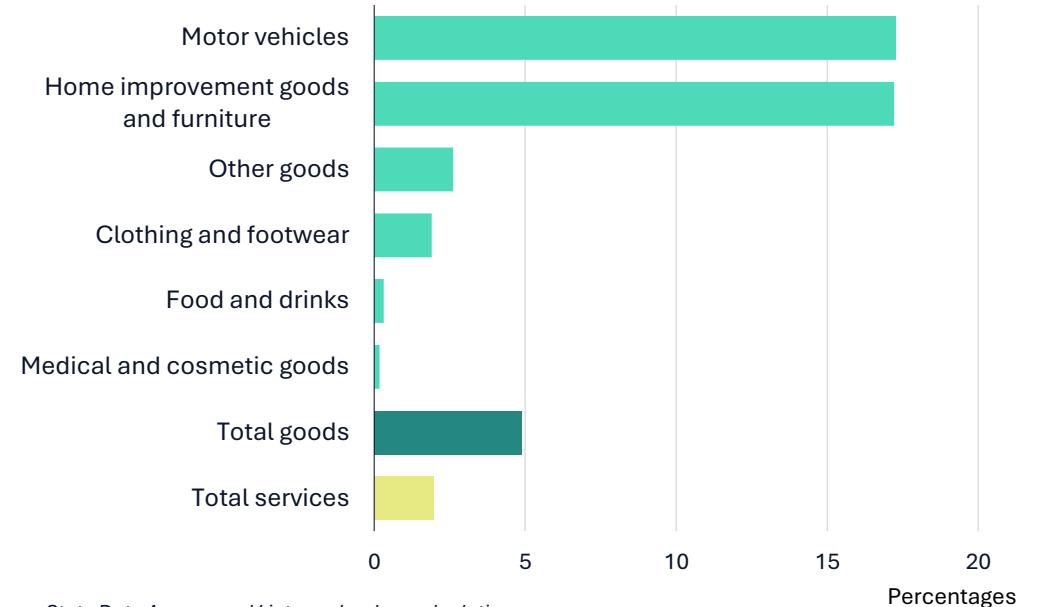
of the withdrawn funds remained in deposits in June

Up to 20%

was spent on consumption of goods and services

The 2nd pillar pension reform contributed to higher consumption

Increase in sales in March–June compared to a scenario without the 2nd pillar impact (at constant prices)



Sources: State Data Agency and Lietuvos bankas calculations.

Impact of the 2nd pillar reform will be moderate

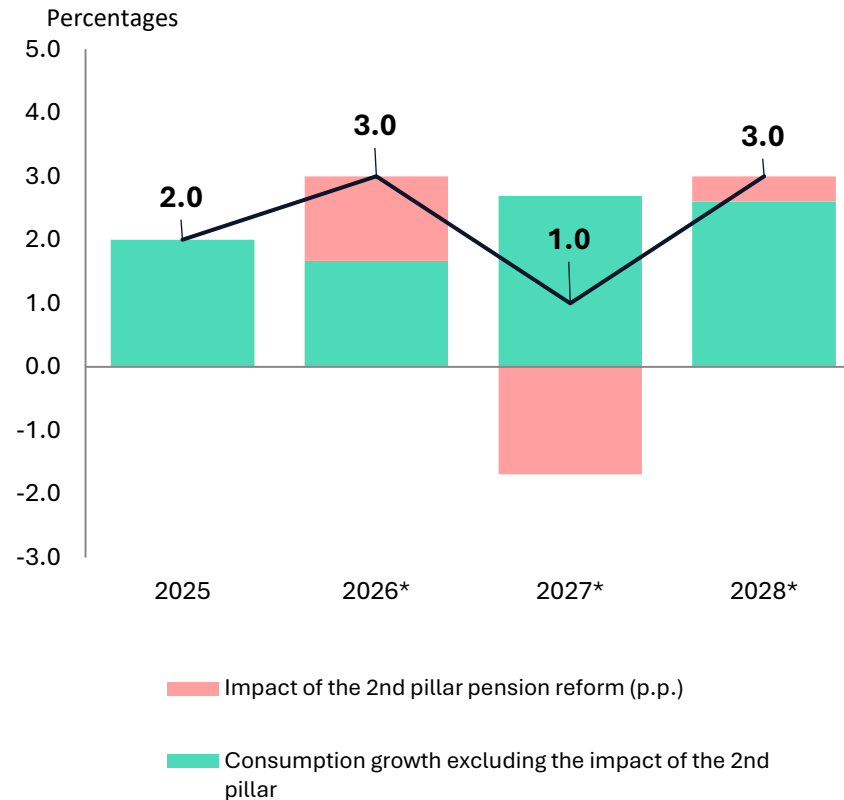
Assumptions on the use of 2nd pillar funds for consumption:

2026: €800 million

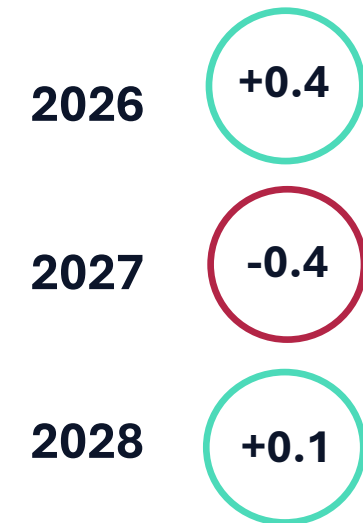
2028: €200 million

Impact on consumption growth will be positive this year and negative next year

Projected path of household consumption



Impact of the 2nd pillar on GDP growth (p.p.):



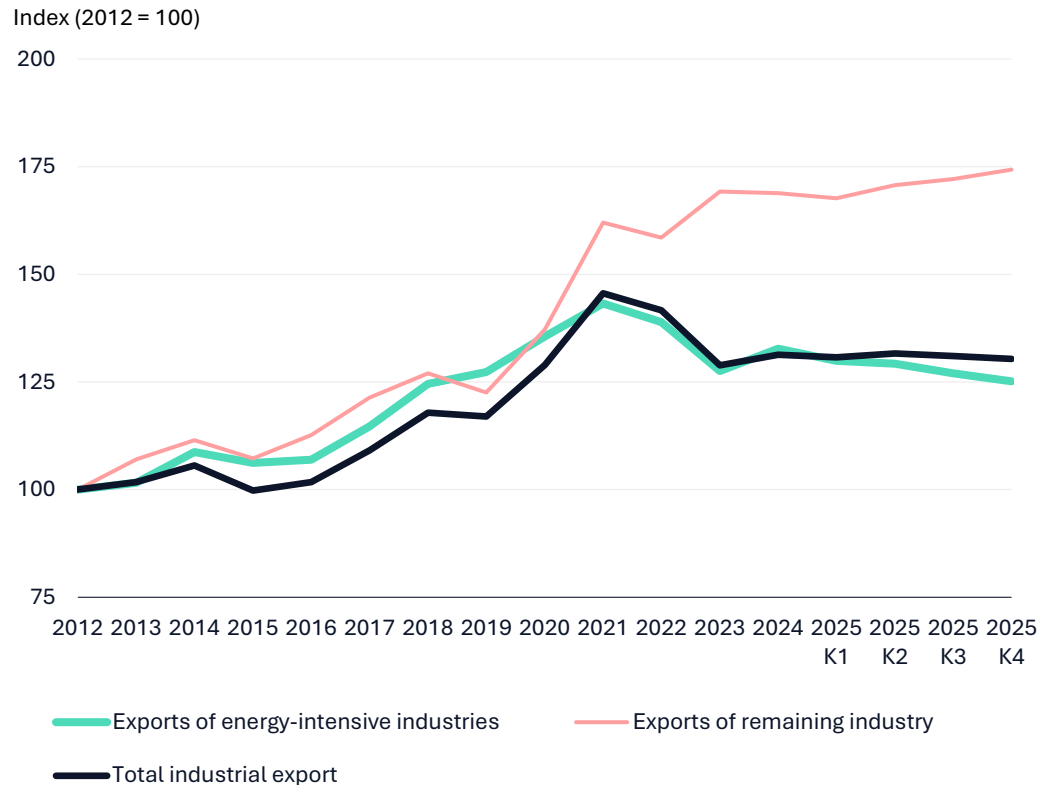
Sources: Eurostat, ECB and Lietuvos bankas calculations.

* Projection.

Growth will be supported by foreign demand

The market position of energy-intensive industries is not strengthening

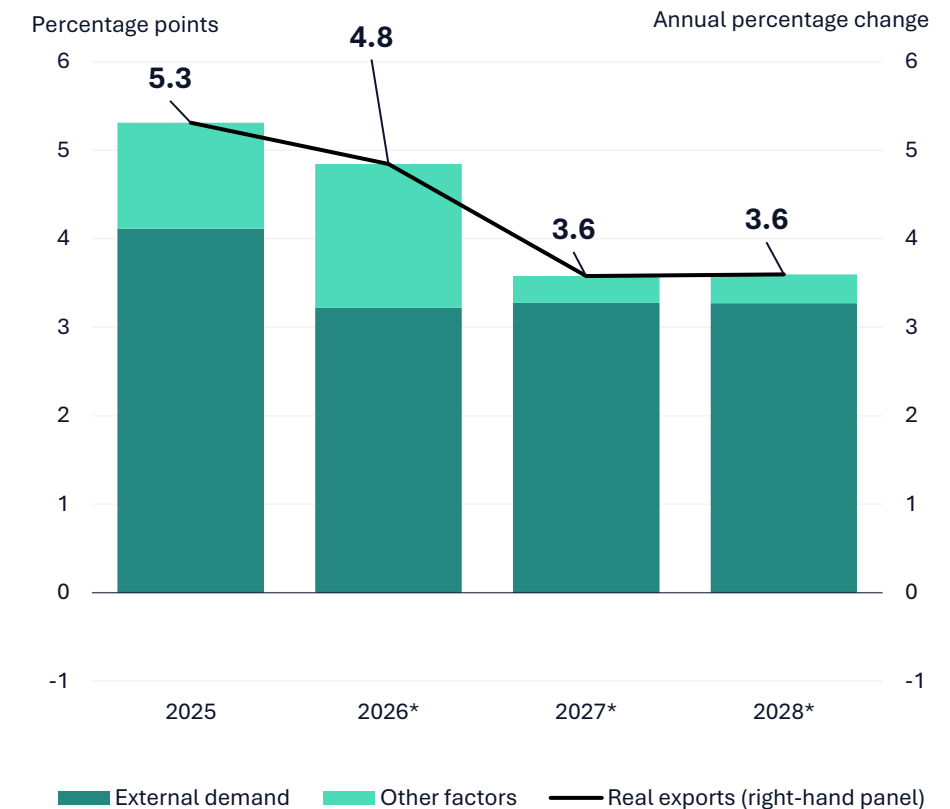
Development of industrial export market shares by energy intensity (at current prices)



Sources: Eurostat, U.S. Census Bureau, HM Revenue & Customs, State Data Agency, Lietuvos bankas and Lietuvos bankas calculations.

Exports will be driven by growing markets of trading partners

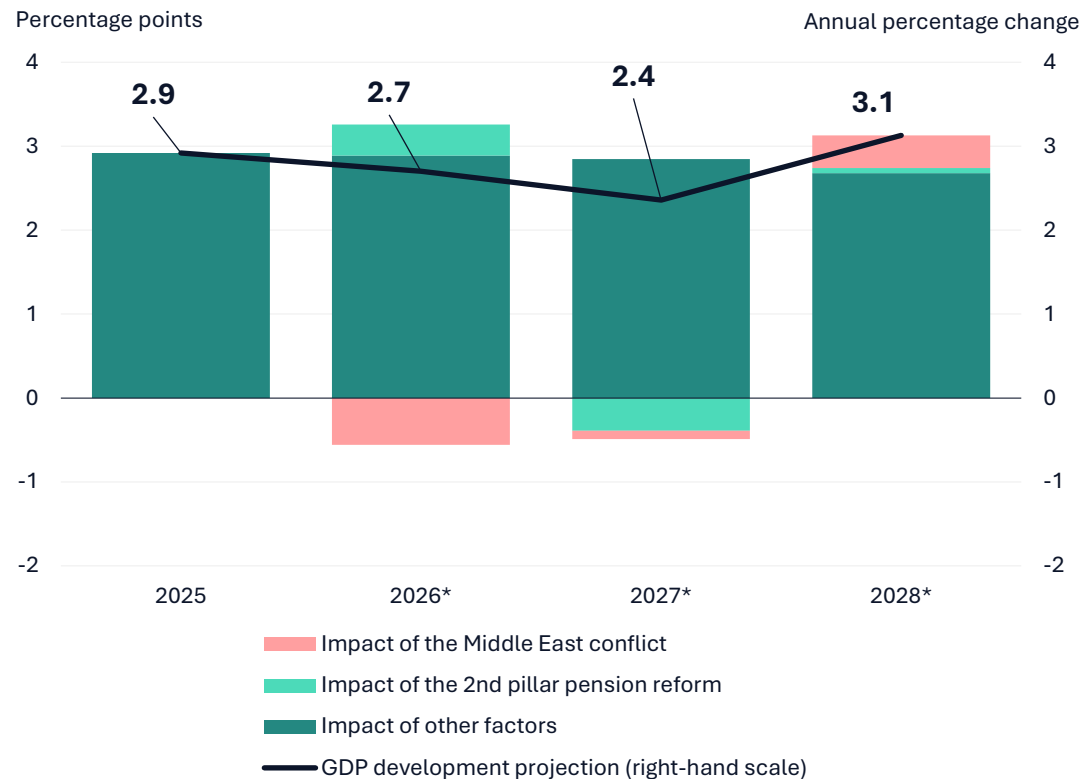
Export projections at constant prices



Sources: Eurostat, ECB and Lietuvos bankas calculations.

Economic growth will be steadier this year and next

Projected GDP path At constant prices



Stronger external demand

Fading momentum of the 2nd pillar

2.7%

In 2026, GDP growth will be in line with the June projection

Smaller surge in consumption this year, smaller decline in consumption **next year**: the projection for 2027 (**2.4%**) revised up

Sources: Eurostat, ECB and Lietuvos bankas calculations.

* Projection.

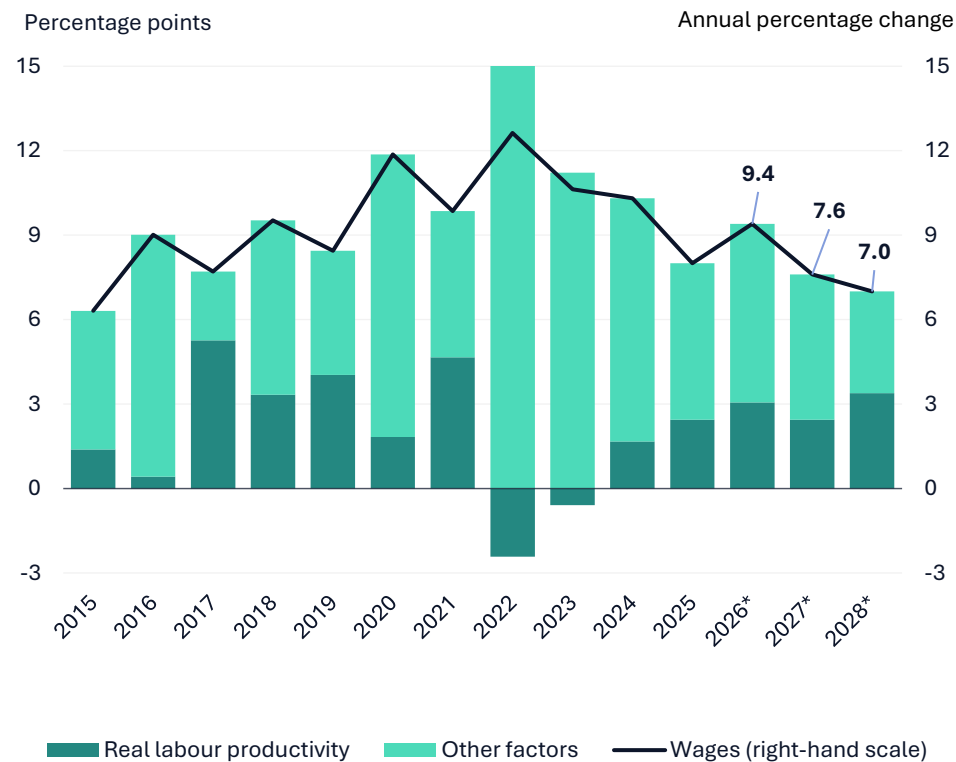
**RESILIENCE
RESERVES ARE ↘
NOT LIMITLESS**



Slow productivity growth – a risk to competitiveness

Wages are outpacing productivity

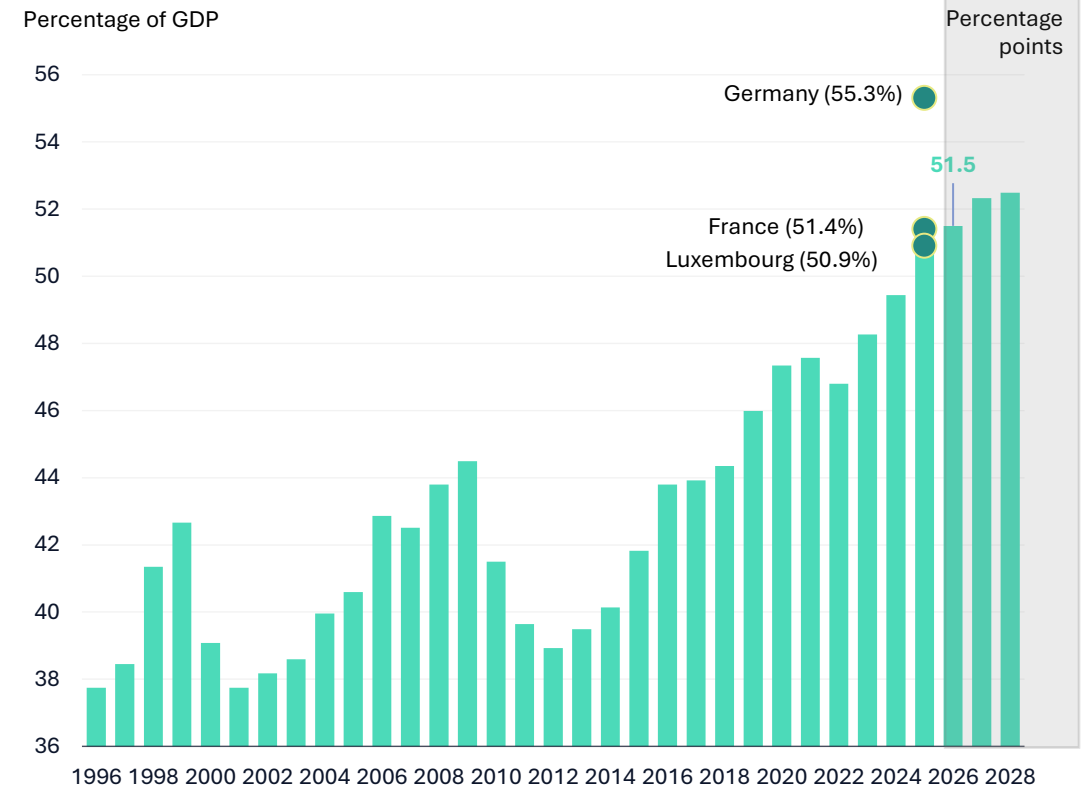
Wage projection and productivity



Sources: Eurostat, ECB and Lietuvos bankas calculations.
*Projection.

Labour share of GDP – among the highest in the EU

Labour share of GDP in Lithuania



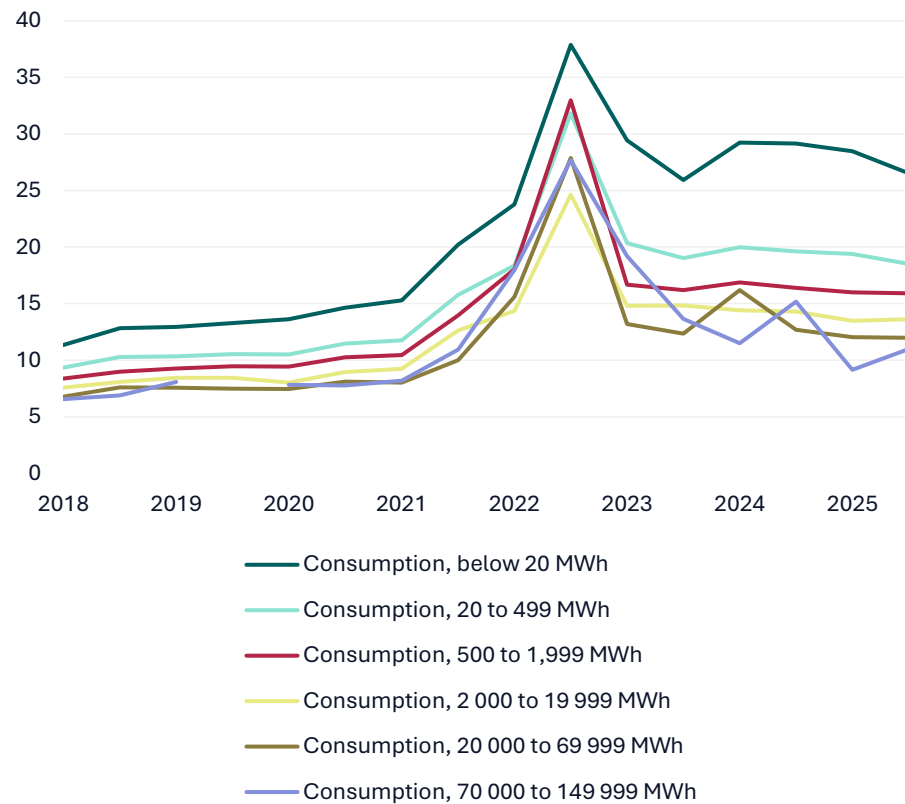
Sources: State Data Agency and Lietuvos bankas calculations.

Electricity price should be part of the competitiveness policy

Electricity prices exceed pre-pandemic levels

Electricity price paid by businesses

EUR ct/kWh

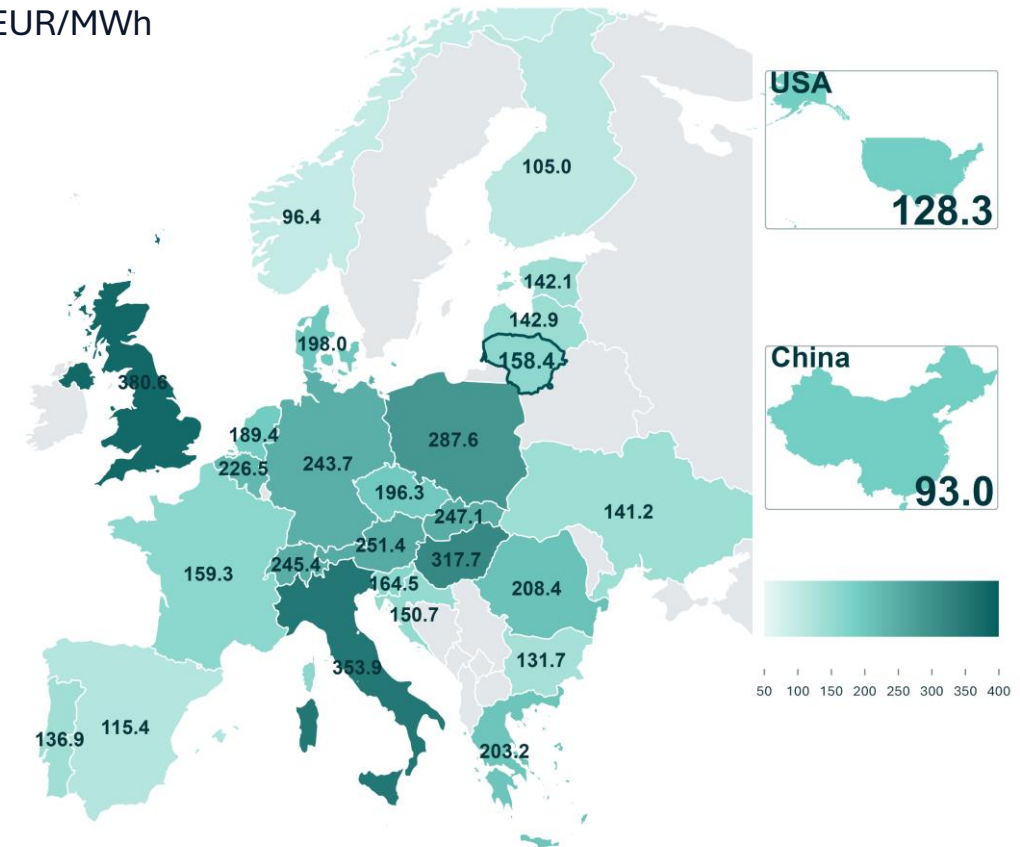


Sources: Eurostat.

Note: Excluding VAT and other refundable taxes.

Average electricity price for businesses in 2023–2026*

EUR/MWh



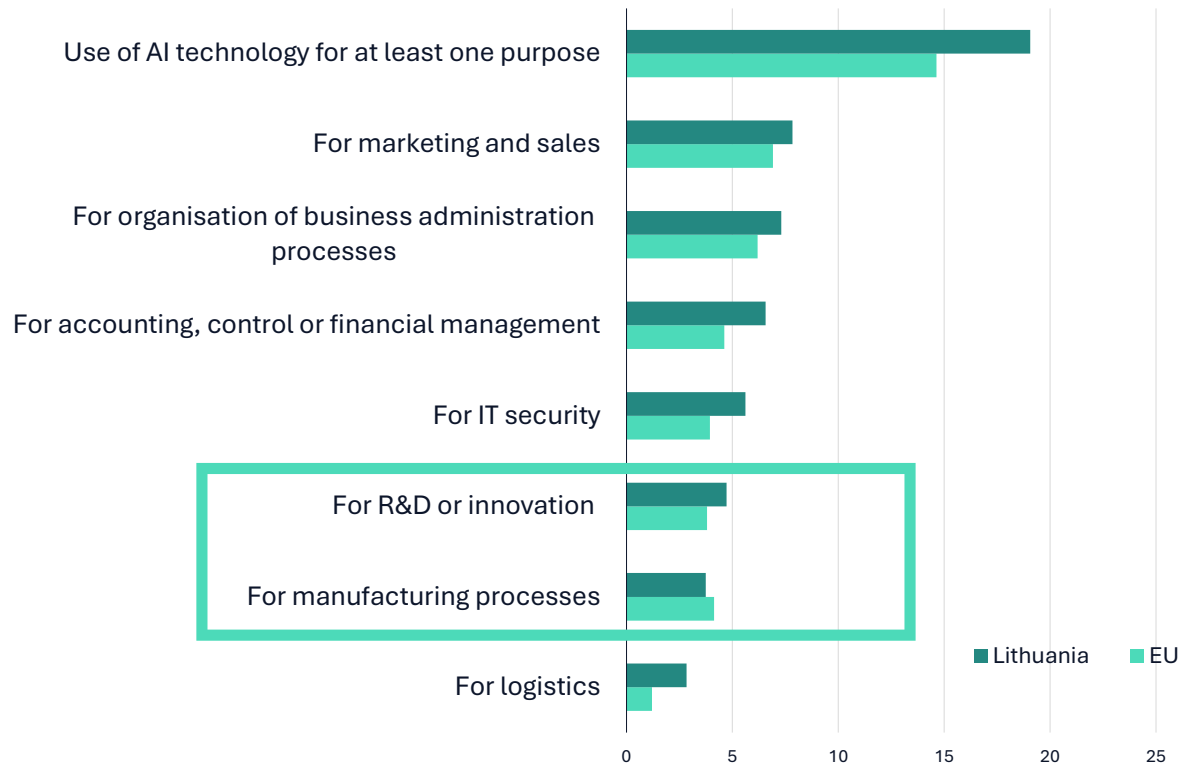
Sources: www.globalpetrolprices.com and picture of Lietuvos bankas.

* Price for businesses consuming 1 000 MWh annually.

Artificial intelligence – opportunity to boost productivity

Artificial intelligence (AI) is rarely used for automation and innovation

Share of businesses using at least one AI technology and purposes of use, in Lithuania and the EU



Sources: Eurostat and Lietuvos bankas calculations.

Lithuanian AI ecosystem:

- Regulatory environment – relative strength
- Infrastructure and skills – close to OECD average
- R&D and international cooperation – a weak link



PROJECTIONS - SUMMARY



Projections of key macroeconomic indicators

September 2026 (June 2026)				
	2025	2026	2027	2028
Real GDP (%, annual change)	2.9	2.7 (2.7)	2.4 (2.0)	3.1 (3.3)
Inflation (%, HICP annual change)	3.4	5.1 (5.1)	3.1 (3.0)	2.6 (2.6)
Wages (%, annual change)	8.5	9.4 (8.7)	7.6 (6.9)	7.0 (7.2)
Unemployment rate (%)	6.9	6.7 (6.8)	6.6 (6.7)	6.6 (6.6)

- Stronger demand from trading partners will offset the fading momentum of the 2nd pillar
- Energy will account for almost half of the inflation rate this year, with inflation set to slow from next year onwards
- Despite the price shock, the purchasing power of households will increase
- The crisis in the Middle East shows no sign of abating, so risks to economic growth remain elevated