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Macroeconomic Projections

September 2026

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Lithuania's economic development and outlook

15 September 2026

Global economic growth forecasts are revised only marginally; they continue to be shaped by both positive and negative factors. Military activity in the Middle East has subsided from the levels seen in spring 2026; however, it continues to weigh on economic activity in a number of countries. Global oil prices remain below the peaks recorded between March and May 2026; however, in US dollar terms, they are still almost one-third higher than the 2025 average. Global natural gas markets are less interconnected, therefore their development across regions is rather different. In the euro area, Lithuania's most important market, gas prices in euro terms are more than 60% higher than the 2025 average. The impact of higher energy commodity prices, supply disruptions, and heightened uncertainty is partly offset by stronger global demand for information technology products, driven by the increasing use of artificial intelligence across sectors and countries. These products are manufactured predominantly in Asian economies[1], even leading to upward revisions to their economic growth forecasts. This information technology cycle has partly resulted in exports of goods from advanced Asian economies (excluding Japan) and emerging Asian economies (excluding China) being 24.5% and 10.6% higher, respectively, in January–April this year than in the corresponding period a year earlier[2]. The shift in demand for information technology products is also benefiting manufacturing and services companies in other regions: as a result, sentiments reflected in purchasing managers' indices have improved not only in Asian economies but also in the United States and the euro area. According to recent surveys of euro area manufacturing purchasing managers, manufacturing activity is at its strongest since the first half of 2022, i. e. the launch of the wide-scale war in Ukraine. Against this backdrop, the global economy is expected to grow more moderately in 2026–2028 than it has in recent years; however, growth forecasts are revised only marginally.

Economic activity in Lithuania is expanding at a solid pace; however, developments vary considerably across sectors. Manufacturing output expanded notably in the first half of 2026. This was likely supported by stronger global international trade and efforts to boost production amid concerns that the ongoing conflict in the Middle East could lead to higher prices for a range of commodities. Among the major industrial branches, the strongest growth was recorded in the manufacture of rubber and plastic products, as well as wood products and furniture. Notably, manufacturing output as a whole has continued to grow at, or even above, its long-term rate. Construction activity has also increased significantly. European Union (EU) co-financed projects have contributed to a marked expansion of civil engineering activity. Residential and non-residential construction also increased. Retail trade activity has likewise picked up in recent months. Following the introduction of the option for households to withdraw and use funds accumulated in the second-pillar pension funds, retail trade has been growing above its previous trend since March this year. The strongest increase was recorded in sales of non-food products, including audio, video, information and communication equipment, clothing and footwear, and furniture. Retail trade in food, and food and beverage service activities were affected to a much lesser extent. By contrast, growth in some business services slowed. This was particularly evident in the information and communication, and professional, scientific and technical services sectors.

Sustained economic growth has supported employment and strengthened the bargaining power of both workers and jobseekers. The unemployment rate stood at 6.8% in the first half of 2026. It was around 0.3 percentage point lower than the average over the previous six years, a period characterised by greater volatility in economic activity. Unemployment declined in urban areas, among both women and men, as well as among the most active population (aged 25-64). This reflected growing labour demand, favourable employment opportunities and persistent labour shortages, which strengthened the bargaining power of both employees and

[1] Largest production of these goods is recorded in South Korea, Malaysia, Taiwan, and Thailand.

[2] The figures are based on data from the Netherlands Bureau for Economic Policy Analysis, which, at the time of drafting, were available up to April 2026.

jobseekers. The shortage of workers has been further exacerbated by the decline in the working-age population. Domestic demographic trends remain negative, while net international migration is less positive compared with a few years ago[3]. In the first seven months of this year, net international migration was slightly more positive than a year earlier, albeit without materially altering the overall picture. Notably, compared to last year, a greater positive contribution to the international migration balance this year was made by foreign nationals, while net migration of Lithuanian citizens declined from 7.2 thousand to 0.9 thousand[4], reflecting both higher emigration and lower immigration among Lithuanian citizens. Wage developments also point to strong bargaining power on the part of workers. Although the economy continues to face a range of shocks, including heightened geopolitical uncertainty, changes in international trade policies, significant fluctuations in commodity prices and supply chain disruptions, and the labour share has reached a historical high, exceeding both the euro area and EU averages, wage growth remains robust and has slowed only marginally. For around three years, quarter-on-quarter growth in private sector wages has remained close to 2.2%[5], while annual growth has been close to 8.9% for approximately two years. With labour productivity lagging behind wage growth, the labour share has continued to increase.

The economy is expected to continue growing gradually, albeit with potentially significant short-term fluctuations. Rising household income, the absorption of EU funds and strengthening external demand are expected to support economic activity in the coming quarters. This will be further supported by renewed improvement in consumer sentiment and by overall confidence across economic sectors remaining at a relatively favourable level, close to its long-term average. However, unlike in recent months, a significant additional boost to private consumption is unlikely, as households intending to spend their withdrawals from the second-pillar pension funds have probably already used a substantial share of them. The use of those funds in the future cannot be ruled out; however, they are unlikely to provide a significant additional support to domestic demand in the near term. Owing to base effect, the impact may even turn negative in the second half of 2026 and in 2027. Households' financial situation remains relatively strong; for a prolonged period of time, household income has exceeded expenditure, while the saving rate has stayed markedly elevated. As a result, withdrawals from the second-pillar pension funds have been used for consumption only to a limited extent, and less than previously expected. However, some of these funds may be spent later, as the impact of higher prices becomes more pronounced, for example in late autumn and winter, when households pay their heating bills. However, as noted above, this will not provide an additional boost to private consumption but will rather help cushion the impact of higher prices. Investment expenditure is also expected to remain volatile. As projects financed under the Recovery and Resilience Facility are brought to completion and defence expenditure increases, investment growth is expected to be relatively higher this year before moderating over the remainder of forecast horizon. External demand is expected to exert a stronger stabilising effect on the economy. Rising investment in artificial intelligence, higher defence spending across a number of countries and the gradual decline in energy commodity prices are expected to support a steady expansion of global international trade and, consequently, demand for Lithuanian exports throughout the forecast period. Real GDP is projected to increase by 2.7% this year. In 2027, as the positive impact of withdrawals from the second-pillar pension funds fades and an adverse base effect comes into play, real GDP growth is expected to moderate to 2.4%. In 2028, as the economy returns to a more typical growth trajectory, real GDP is projected to grow by 3.1%.

Annual inflation is still rising, albeit at a slower pace. After a significant surge following the outbreak of the war in the Middle East, annual inflation in Lithuania continued to rise in recent months, albeit at a relatively slower pace. According to flash estimate, annual inflation stood at 5.8% in August. Energy prices, which were around one-fifth higher than a year earlier, made the largest contributor to inflation and accounted for the largest share of the overall inflation. Among energy products, fuel, wood-based fuel and heat energy recorded

[3] Net immigration in Lithuania amounted to 72.1 thousand in 2022, 45.0 thousand in 2023, 23.1 thousand in 2024 and 16.8 thousand in 2025.

[4] The comparison is based on the data of the first seven months of 2025 and 2026.

[5] Based on seasonally adjusted data.

the largest year-on-year price increases[6]. Their development was influenced by oil prices that remained higher than before the outbreak of the war in the Middle East, elevated gas prices, the abolition of the reduced VAT rate on district heating and firewood, as well as stronger demand for wood-based fuel following a colder-than-usual heating season last year. Higher fuel prices also affected the evolution of service prices. Transport services were affected the most, with prices rising by around 10% year-on-year in recent months and contributing substantially to the acceleration in overall services inflation, which reached 6.6% in July. Price growth for industrial goods has also picked up slightly in recent months, reaching 1.1% in July. These trends were driven by increased price pressures along the production chain. While imported durable consumer goods remained cheaper than a year earlier, rising prices of imported intermediate goods contributed to domestic industrial producer price inflation accelerating to around 5%. The increase in prices across the aforementioned groups of goods and services was partly offset by slower year-on-year growth in food prices. Owing to easing supply chain pressures, food products, excluding alcohol and tobacco, have recently been already cheaper than a year earlier.

Inflation will remain elevated this year, but it is expected to moderate in the years ahead. Annual inflation is expected to rise further in the remaining months of this year, with average annual inflation projected to reach 5.1% this year. Energy is expected to be the main component driving inflation, in contrast to previous years. In the subsequent years, average annual inflation will decline, reaching 3.1% in 2027 and 2.6% in 2028, mainly due to falling energy prices, lower tax increases and slower growth of wages.

[6] In July, fuel and wood-based fuel prices increased by one quarter, while heat energy prices increased by more than 40%.

Outlook for Lithuania's economy

	September 2026 projection[a]			June 2026 projection		
	2026[b]	2027[b]	2028[b]	2026[b]	2027[b]	2028[b]
Price and cost developments (%, annual percentage change)						
Average annual HICP inflation[e]	5.1	3.1	2.6	5.1	3.0	2.6
GDP deflator[c]	5.0	3.3	3.1	4.2	3.1	3.0
Wages	9.4	7.6	7.0	8.7	6.9	7.2
Import deflator[c]	5.9	3.6	1.3	7.5	2.4	1.3
Export deflator[c]	6.3	3.0	1.8	6.8	1.9	1.5
Economic activity (constant prices; %, annual percentage change)						
GDP[c]	2.7	2.4	3.1	2.7	2.0	3.3
Private consumption expenditure[c]	3.0	1.0	3.0	4.1	-0.2	4.6
General government consumption expenditure[c]	0.4	0.4	0.4	0.2	0.4	0.4
Gross fixed capital formation[c]	8.2	5.7	5.1	10.1	3.7	4.6
Exports of goods and services[c]	4.8	3.6	3.6	0.4	3.6	3.7
Imports of goods and services[c]	7.8	2.6	3.8	3.9	2.5	4.6
Labour market						
Unemployment rate (annual average as a percentage of labour force)	6.7	6.6	6.6	6.8	6.7	6.6
Employment (%, annual percentage change)[d]	0.1	-0.3	-0.3	0.3	-0.3	-0.2
External sector (%, percentage of GDP)						
Balance of goods and services	2.3	2.5	2.7	1.0	1.5	1.0
Current account balance	-1.0	-0.8	-0.7	-1.9	-1.6	-2.4
Current and capital account balance	1.1	0.2	0.3	0.5	-0.5	-1.5

[a] The macroeconomic projections are based on external assumptions, constructed using information made available by 19 August 2026, and other data and information made available by 1 September 2026.
[b] Projection.
[c] Adjusted for seasonal and workday effects.
[d] National accounts data; the number of employed persons is defined based on the domestic concept.
[e] Harmonised Index of Consumer Prices.

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