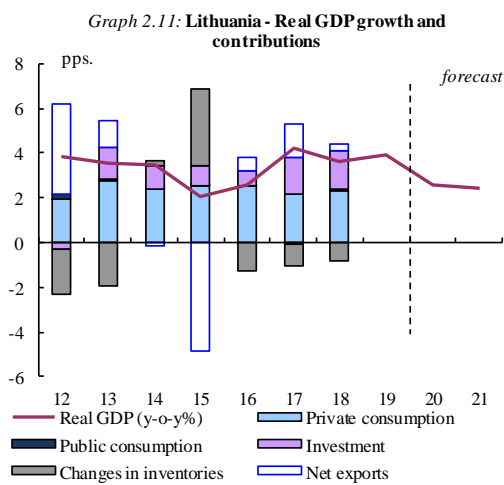


2.11. LITHUANIA

According to preliminary data, in 2019, Lithuania's real GDP grew by 3.9% y-o-y, with the final quarter being substantially stronger than the third quarter. Robust domestic demand and the continued strength of exports helped to maintain high growth levels in 2019, for the third year in a row. The reduction in labour taxes and the strong performance of the labour market provided solid support for consumption. At the same time, a more rapid use of EU funds contributed significantly to investment. Exports remained resilient despite a weakening external environment.

As confidence indicators remained high at the end of 2019, the positive economic momentum is expected to continue into 2020. High employment, combined with strong wage growth and increases in social benefits are set to support consumption over the forecast horizon. However, the investment cycle has probably peaked and is therefore expected to contribute less to growth. Decelerating exports are also set to lower their contribution to growth. Overall, real GDP in Lithuania is forecast to increase by 2.6% in 2020 and 2.4% in 2021.



HICP inflation declined from 2.5% in 2018 to 2.2% in 2019, mostly because energy prices turned out lower than anticipated in the last quarter of 2019. Price growth is expected at 2.3% in 2020 with services contributing the most to inflation. As wage growth is expected to slow over the forecast horizon, inflation is projected to moderate slightly to 2.1% in 2021.