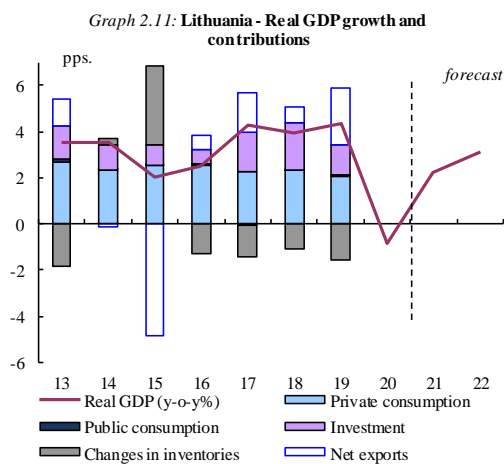


2.11. LITHUANIA

According to the preliminary data, real GDP contracted by 0.9% in 2020, which is one of the smallest declines in the EU. Data available so far show that the slump in domestic demand was partially offset by a positive contribution to growth from net exports. Lithuanian exports remained relatively resilient as manufacturing output was only slightly affected by the restrictive measures imposed to control the pandemic, and external demand remained strong. Output in agriculture also supported economic results. Still, the economic recovery in the last quarter of the year was impacted by a surge in infection rates and a subsequent reintroduction of strict lockdown measures. Consumer, retail and service sector sentiment indicators have worsened as a result.

As measures to contain the pandemic are assumed to be only gradually lifted, economic growth is forecast to remain subdued in the first half of the year. From the third quarter onwards, however, pent-up demand combined with continued wage growth are projected to boost private consumption. At the same time, public investment is set to contribute to the recovery in 2021, while private investment is expected to follow with a lag. Overall, real GDP in Lithuania is forecast to grow by 2.2% in 2021 and then by 3.1% in 2022. This forecast does not include any measures expected to be funded under the Recovery and Resilience Facility, posing an upside risk to the growth projections.



In 2020, annual HICP inflation stood at 1.1%, as a substantial drop in energy prices partially offset higher service prices, as well as increases in the prices of food and industrial goods. In 2021, energy prices are forecast to pick up, which together with wage growth and the gradual recovery of domestic demand, should lead to higher inflation. Overall, HICP inflation is forecast at 1.7% in 2021 and 1.8% in 2022.